FINANCIAL TIMES



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Patent protection for simple parts



Private Equity Investment



Weekend FT Death and morality on Everest

Possible Iraqi oil deal with UN sends crude prices down

Oil prices dropped on speculation that Iraq and the United Nations were close to agreement on limited sales of Iraqi oil, in what would be the first substantial relaxation of international sanctions since the Gulf war. The rumours of a possible deal unnerved the oll market, which fears that Iraq's re-entry will lead to a long-term increase in supply. Brent crude for July dalivery fell 60 cents in London to close at \$18.90 a barrel. Page 20 and Lex; Commodities,

UK move on Uleter talks: The Irish government welcomed an apparent softening of the British government's attitude towards arms decommissioning in Northern Ireland. UK prime minister John Major said the issue need not delay talks.

PepulCo buya Star Wars rights: US food and urinks group PepulCo has acquired exclusive promotional rights to the Star Wars film series in a deal which could be worth up to \$2bn in advertising investment and merchandise sales. Page 21

Creatia seeks debt plan approval: Creatia is seeking the approval of up to 350 foreign banks and financial institutions to take on 29.5 per cent of the foreign commercial bank debt of former Yugoslavia.

Hewist-Packard's share price fell sharply after the US computer and electronica group reported quarterly earnings of \$723m, 25 per cent up on last year but lower than analysts had expected. Page 21

Dole heads to Chicago: US Republican hopeful Bob Dola took his presidential campaign out of Washington and into Chicago, a day after announcing he would resign from Congress to concentrate on his challenge to Bill Clinton, Page 4; Editorial

Ex-Bosnian PM plans new government: Former Bosnian Serb prime minister Rajko Kasagic, sacked by President Radovan Karadzic on Wednesday, is planning to form a new government, Page 2; Don't blame the Europeans, Page 18

Italy's Prodi to name ministers: Romano Prodi is expected to appoint ministers at the weekend, having agreed to form Italy's first centre-left government less than a month after his coalition's narrow victory in the elections. Page 2

IMF attacked over debt: The International Monetary Fund was attacked by British charity A Oxfam, which accused it of "systematically obstructing" efforts to resolve the problem of debt in the world's poorest countries. Page 5

UK deputy PM leads China visit: UK deputy prime minister Michael Heseltine leaves today for Chins, leading 270 business executives on a one-

Lucas seeks details on Varity plan: UK car components group Lucas Industries sent its chairman and chief executive to New York to clarify a proposed £3bn (\$4.6bn) merger with Varity Corporation of the US. Page 21

Talwanese market soars: Volume and prices on Taiwan's over-the-counter exchange have soured to record highs as retail investors are attracted by a flood of new listings and the entry of domestic mutual funds. Page 6

3 Africas HIV rate jumps: South Africa's HIV infection rate rose sharply, with the virus estimated to affect 1.8m people, or 4.3 per cent of the population, compared with 1.1m a year earlier. Page 5

Indian BJP ministers sworn in: India's first Hindu-nationalist government took a ceremonial step towards power as prime minister Atal Behari Vajpayee and 11 ministerial colleagues were sworn.

Freed hostages flown to Jakarta:



Four of the nine hostages freed from rebel captors in Irian Jaya thank soldiers (above) before boarding a flight to Jakarta. Four Britons, two Dutch nationals and three Indonesians were rescued on Wednesday by Indonesian troops after a seven-hour jungle battle with the rebels.

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Italian state airline plans to raise new capital and split into two parts

Alitalia set to shed 3,000 jobs

By Andrew Hill in Millan

The chief executive of Alitalia yesterday warned unions that the troubled Italian state airline "might not survive 1996" without rapid and decisive action to cut costs and inject new capital.

Mr Domenico Cempella.

appointed in February, plans to cut roughly 3,000 jobs over five years - nearly 17 per cent of Alitalia's workforce - and reduce costs by L500bn (\$321m) in the first year, according to last-ditch restructuring proposals pres-

which la Alitalia's majority sbarebolder, and private inves-tors. Alitalia staff may also be invited to take a staka in the

Last night's meeting was the first in which Mr Cempella had talked in detail to unions about restructuring. Before the meeting, they were cautious about the plan, saying they wanted a rigor-ous but realistic restructuring programme, combload with recapitalisation.

Mr Cempella must tread a fine line between calming the unions ented to unions yesterday.

Mr Cempella is also calling for a L3,000hn capital increase from a capital increase.

injection of capital at Iberia, Alit-alia's troubled Spanish competi-tor, but only after scaling it back and imposing etrict conditions.

The plan that Mr Cempella has tabled is much tougher than the outline programmes leaked to the Italian press over the last two weeks, which suggested that about 2,000 jobs might be lost.

It comes at a moment when other European airlines are also wrestling with union problems. Air France said earlier this week that it would have to delay its planned restructuring of domestic and European operations if domestic pilots did not agree to a new remuneration package by

Last year, industrial action including wildcat strikes by pilots - pushed Alitalia deeper into loss, and precipitated the departure last October of Mr Roberto Schisano, Mr Cempella's

predecessor.

He was forced out by Iri, the state holding company which is Alitalia's majority shareholder. Mr Renato Riverso also resigned as chairman earlier this year, complaining that he had been isolated by Iri in his attempt to resolve the union problem.

Alitalia reported a net loss in 1995 of L85.9ho, after a one-off profit of L443bo from the sale of its stake in the Rome airports company, and expects to report a

loss of L280bn in the first three mooths of this year. Mr Cempella's plan, which was also discussed with Iri yesterday, includes the proposal to split pas-senger operations into two com-panies - one for long-haul and

one for short- and medium-range operations - which would hring cost structures and employee contracts in line with competing airlines in the same sectors.

Domestic operations would

probably remain as a division of the Alitalia holding company. Leaving the meeting with Iri yes-terday before talking to the unions, Mr Cempella said: "I am satisfied . . . 1 believe in this plan and I intend to push it through."

Biggest Japanese **brokers** return to profit

By Gerard Baker in Tokyo

Japan's four biggest stockbrokers have posted their best results for five years helped by a rebounding domestic stock mar-ket and buoyant bond markets.

Nikko, Yamaichi and Daiwa Securities yesterday reported a return to pre-tax profit for the year to the end of March after the previous year's losses. This followed Nomnra Securities' announcement last month of a sharp increase in profits. How-ever, all the "big four" remained cautious about the prospects for the current financial year.

The blggest transformation was achieved by Daiwa, which turned last year's Y24.9ho (\$234m) recurring loss - before extraordinary items and tax into a profit of Y62.6bn. Nikko achieved a recurring profit of Y65bn, against a loss of Y19.3bn last year. Yamaichi improved to Y15.1bn from a loss of Y50.6bn.

All the brokers reported sharp increases in commission incomes from equity and bond trading. As share prices rose strongly from a low in the middle of 1995, equity trading volume climbed to levels not seen for five years. The Nikkei average of 225 leading stocks closed the finan-cial year at 21,406, up almost 50

per cent from last July. As a result, average daily trading vol-umes on the Tokyo stock exchange rose 16 per cent to Y374bn for the year. But a strong bond market, especially in the first half of the year, also contributed to the improvement. The big four's return to profit-

ability was not matched by the rest of the broking sector. Eight of the 10 second-tier brokers recorded another year of recursuffer from over-dependence on commissions from market-sby individual investors.

All securities companies remain cantious about future prospects. Although they expect a continoed improvement in the current financial year, the risk that a monetary tightening would depress the country's bond and stock markets remains a powerful drag on confidence.

Lift for brokers, Page 25

Iri, the state holding company Brussels approved the recent **US** Treasury to sell index-linked savings bonds

By Maggie Urry In New York and Philip Coggan In London

The US government is to issue inflation-protected honds designed to attract long-term savings from middle-incoma investors and boost the chronically weak national savings rate.

Mr Robert Rubin, US Treasury secretary, said tha new bonds would have "the potential of raising our national saving rate as well as reducing the cost of capital to the federal government". The government has been keen

to increase the rate at which Americans save, which is low by international standards, to boost investment and reduce the trade deficit. Mr Rubin thought the ple saving for their retirement, their children's college education or other long-term purposes.

They would guarantee a return in excess of inflation and, therefore, investors would be prepared to accept a lower yield, saving the government money. The bonds are to have either a

10 or 30-year life, and the minimum amount an investor could buy would be \$1,000. Mr Rubin said that was "well within the reach of many savers". He expected strong demand from middleincome investors for the bonds.

The plan was met with some scepticism on Wall Street. Many bond experts said the experience of the UK and Canada was that demand for index-linked bonds had been limited and the secondary market in them was illiquid. In the UK, index-linked gilts were first introduced in 1981 after the inflationary excesses of the 1970s which made investors wary of hoying conventional gov-

ernment debt, Since then, the UK government has steadily issued index-linked gilts so that they now make up around 15 per cent, by valoe, of the government bond

But they have not been a great success for investors, ironically because UK inflation has been much less of a problem in the 1980s and 1990s. Over the 10 years to end 1995, index-linked bonds returned 8.8 per cent per annum, compared with a 9.9 per cant return from cash deposits and 15.1 per cent from UK equities.
Mr Rubin acknowledged that

the US index-linked bonds would represent "a small part of a vast market" with most of the govern-ment's debt funding continuing to come from the sale of convenyear experiment of issuing tha honds would begin later this

Mr Rubin said there would now be a 30-day period for public comment and the Treasury would hold meetings in the US, London and Tokyo. Many economists, including Mr Alan Greenspan, chairman of the Federal Reserve, the US central bank, favour the issue of inflation-linked bonds since tha yield put on them through trading in the market would give an indication of market expectations for inflation.

Ma Kathleen Stephanson, senior economist at Donaldson, Lufkin & Jenrette, a Wall Street securities house, said the bonds would 'in theory be a very interesting instrument giving a sense of inflationary expectations."

Editorial Comment, Page 21 Lex, Page 22; Currencies, Page 36



yesterday signed a decree to abolish army conscription by 2000. Tha move is a charp change of course for Mr Yeltsin, whose government last year extended the term of obligatory military service. A mouth ahead of presidential elections, the abolition decision is potentially a hig vote winner for the president. Report, Page 20; Moscow to World stocks, Page 42 | steer currency lower, Page 2

Bundesbank warns of threat from rising German deficit

By Andrew Fisher in Frankfurt

Germany's large and rapidly growing public sactor daficit threatens to opset domestic capital markets by taking up too large a slice of available funds, the Bundesbank warned in a report yesterday.

Meanwhile, a survey by the Munich-based Ifo economic research institute euggested that west German industrial companies would continue investing abroad rather than in Germany between now and the end of the

The Bundeshank said in Its monthly report that last year's public sector deficit of DM117bn (\$76bn) was 42 per cent higher than in 1994 and equivalent to 4 per cent of total disposable

too many problems on capital tha end of last year, around a markets because investment by third of the DM6,700hn total industry slowed down last year as a result of slackening economic growth.

to DM32bn. Finance for new construction stagnated after sharp rises in pre-

vious years. The economy's remaining financing needs, met by borrowing abroad, fell by 35 per ceot to DM29bn.
"This cannot be counted on in the long term and would certainly not be desirable from an economic policy standpoint," the

German central bank said. The public sector's weight in Germany's overall borrowing structure had increased rapidly since reunification in 1990. Public borrowing had risen by an average 14 per cent a year; a

So far, the state's high borrowrate that was 11/4 times greater ing requirement had no

domestic non-banking dabt was accounted for by the public sec-

Companies' external financing it was only a queeds fell in 1996 by 45 per cent and a fifth in 1979. It was only a quarter in 1989

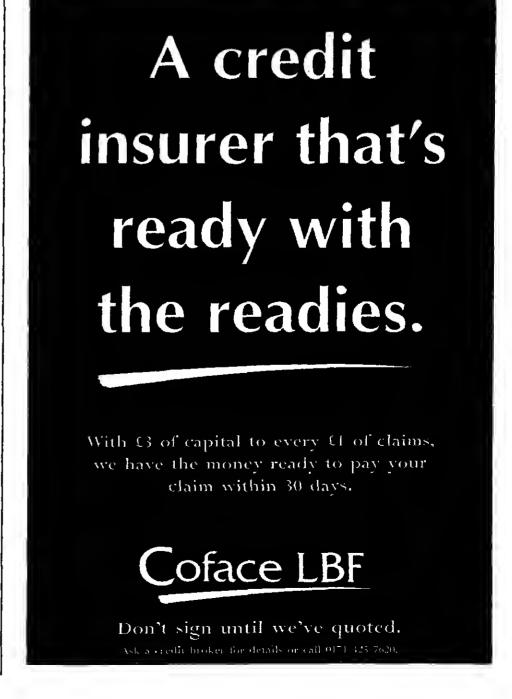
The Bundesbank also said tha federal government'e cash deficit in the first four months had risen from nearly DM7bn last year to DM23bn this year; spending was 15 per cent higher, with revenues

up less than 6 per cent.

Away from the state's financial problems, the bank said private households' savings - accounting for three-quarters of total savings picked up slightly last year to account for 12.3 per cent of dis-posabla income, though this was still well down on the near 14 per

cent of 1992 and 1993. Germans remained wary of buying shares, with only 5 per

ot caused than	that in the period 1979	-89. At C	Continued on Page	
der Page	CONTENTS Companies & Planage UK	Warkste Commodities	Record Issues	
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LONDON - LEEDS - PARIS - FRANKFURT - STOCKHOLM - MADRID - MEN YORK - LOS AMBELES - YOKYD - BONG KONS

By Kerin Hope in Athens

Greece's plans to modernise its tslecommunications system have been thrown into disarray by a judicial inquiry into accusations that employees of the OTE telecoms monopoly took bribes from Intracom, a Greek equipment supplier.

The inquiry, announced earprepares to launch a Dr800bn (\$3.3bn) investment programme aimed at making the country's telephone network competitive with those in the rest of the European Union by the end of the decade.

The programme would be partly financed from the proceeds of the recent listing of 8 per cent of OTE on the Athens planned sale of another equity tranche next year.

Company officials said yes-terday that OTE had frozen all equipment purchases, including a Dr14bn contract for 400,000 digital telephone lines to be installed during the next 12 months by Intracom and Siemens Hellas, the Greek subsidiary of Germany's Siemens

OTE had been planning to invite bids from intracom and Siemens for a Dr80bn contract to supply another 2.2m digital lines to extend its digital network in the provinces and the Aegean islands. Under current EU regulations, OTE is allowed to give preference to local man-

But if the inquiry results in charges against OTE employ-ees, the contract will have to be offered for open tender, a process that could take up to two years, one official said.

Shares In OTE, which started trading three weeks ago, dropped below their issue price of Dr4,000 per share on news that the investigation would proceed, closing yesterday at Dr3,975.

One analyst said: "Digitalisa tion is central to making OTE a competitive telecoms operation. Delays in the programme would shrink revenue growth and put other investment plans

The Athens appeal court is expected to appoint a prosecutor next week to examine claims that intracom paid \$6m in bribes to OTE officials to win a Dr40bn contract to supply 1.1 digital lines. Intracom's chairman, Mr Socrates Kokkalis, dismissed the allegations as "shameless mudslinging".

Intracom, one of Greece's largest private companies has been a key OTE supplier since the mid-1970s when it started upgrading imported East German equipment to meet the Greek telecoms requirements.

To the chagrin of international telecoms equipment suppliers trying to enter the Greek market, intracom and Siemens Hellas have so far kept a stranglebold on sales to OTE of digital switching systems.

The disputed contract for 1.1 digital lines was awarded to in 1992 in an open tender. The losing bidders were Northern Telecom, AT&T and Alcatel But the contract was not hecause of delays caused by political infighting and a change of government.

Correction

EU forecasts

Statistics for Italy in a table of EU economic projections pub-lished in the Financial Times on May 16 were incorrectly listed under "lceland".

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New policy will allow gradual and controlled fall in the rouble

Moscow to steer currency lower

Russia yesterday announced a new exchange rate policy. and controlled fall in the value of the rouble to the end of ths

The move was seen as the government's attempt to signal its commitment to a stable currency and low inflation and to reassure investors during the uncertainty ahead of presidential elections on June 16. The government announced the new rouble policy six

weeks befors the current exchange rats "corridor" expires on June 30. Traders and economists welcomed the new "crawling corridor" exchange rate regime as evidence of a willingness to make the economy less susceptible to political influences.

By Harriet Martin in Banja Luka and agencies

Mr Rajko Kasagic, sacked as

Bosnian Serb prime minister by President Radovan Karadzic

on Wednesday, is planning to

form a new government, a

western diplomat said last

night.

If he succeeds in doing so it

would raise the stakes in the

growing struggle for control of

Republika Srpska, the Serb-

only half of Bosnia.

Mr Kasagic won important

backing yesterday when the

Serbian government in Bel-

grade issued a statement

through its Tanjug nsws agency calling Mr Karadzic's

removal of his moderate pre-

At the same time a US State

Department spokesman in Washington said: "We don't

recognise Karadzic's authority

By Kevin Done in London and

Croatia is seeking to gain the

approval of up to 350 foreign banks and financial institu-

provisional deal with the Lon-

don Club to take on 29.5 per

cent of the foreign commercial bank debt of former Yugo-

Under the terms of an ambi-

tious timetable presented to

the banks this week at road-

shows in New York and Lon-don, Croatian government min-

isters said that they were

aiming to implement the deal

Mr Borislav Skegro, Croatian deputy prime minister, said in

London that Zagreb was plan-

ning to issue bonds worth

between \$1.6bn and \$1.7bn in

exchange for its share of the

In order to go ahead with the

Gavin Gray in Zagreb

slavia.

mier "illegal, mull and void".

From July 1 the central hank, which under the constitution is independent, will let the rouble slowly depreciate, defending the currency against any steep falls with its growing foreign exchange reserves of

Karadzic's sacked PM

'plans new government'

make or enforce political deci-

sions." Mr Carl Bildt, the inter-

national community's high rep-

resentative in Bosnia, and Mr

Javier Solana, Nato's secretary

general, who was visiting Bos-

nia yesterday, both added their

voices in support of Mr Kasa-

tional community "of course

does not recognise filegal acts

and will continue to work

closely with the government of

m Pale, near Sarajevo, led by

Mr Karadzic, an indicted war

criminal, has been following an

isolationist policy, rejecting

the Dayton peace agreement which eeeks loosely to reunite

Bosnia through joint institu-

Mr Kasagic has given his

support to the accord, winning

him full western backing, as

prime minister Kasagic". The hardline Serb leadership

Mr Bildt said the interna-

1995

The new "corridor" will start at Rbs5,000-Rbs5,600 against the dollar, change daily and end at Rbs5,500-Rbs6,100 on December 31. The ronble now trades within a fixed corridor of Rbs4.550-Rbs5,150. Yesterday it held steady at Rbs4,980 to the dollar

Mr Sergei Dubinin, central bank governor, said the bank would not let the rouble fall more than 1.5 per cent a month. This complements the government's commitment to monthly inflation averaging 1.9 per cent in the second half of the year.

Analysts had expected the government to adopt a "crawling peg" exchange rate regime, which is used in Poland and other transition countries. But a banker said the corridor gave the central bank more flexibility to defend the

dent Slobodan Milosevic, who

signed the Dayton agreement

the only future Republika Srpska has," Mr Kasagic said

Although publicly Mr Kasa-gic has said he will stay in

office until a successor is

found, privatsly he bas told

diplomats he is confident the Republika Srpska national assembly, which has yet to vote on his dismissal, will back

It is unclear if this will be

the case. Mr Kasagic certainly has support in the western

part of Republika Srpska but

the eastern side is often consid-

ered as under Mr Karadzic's

remains supportive of the Karadzic regime, and it is not

clear where the loyalties of the

Croatia presents debt plans to banks

Externel debt

Long term debt

£3948,5m at end of 1995

tofficial creditors 58%

agreement, which will allow it

to sever its final links with the

Mr Skegro said that speed was essential to allow Croatia

to press ahead with its plans to

debts of former Yugoslavia.

police and the military lie.

The state controlled media

"The Dayton agreement is

on the Serbs' behalf.

yesterday.

control

The debt was incurred clause included in the NFA

President Boris Yeltsin yesterday sent another reform signal by announcing greater convertibility for the rouble. Mr Dubinin said the decree would let Russia comply, from the beginning of June, with the International Monetary Fund's "Article 8" provisions on cur-rent account convertibility. But tight restrictions would remain on the capital account.

This would mean the end of

regulations requiring exporters to surrender part of their foreign exchange earnings. Mr Alexander Livshits, the president's economic adviser. said the liberalisation of the currency regime would "boost the investment attractiveness

The markets reacted positively to the announcements. The benchmark six-month government treasury bill (GKO) fell 15 points to 131.7 per cent.

The yields on government paper have risen above 170 per cent in the past month, fed by fears over the rouble's future.

Exporters have been banker ing for a weaker rouble since the fixed currency corridor was introduced in July. The planned depreciation might improve their competitiveness. A Moscow banker was con

cerned, however, that the antiinflationary anchor might not hold for long should Mr Gennady Zyuganov, the Commu-nist presidential candidate, change the government's fiscal and monetary policy were be to win the election.

Analysts said an IMF mis-

impressed with Russia's success in bringing inflation down to 2.2 per cent last month and keeping to a tigot monetary policy but "disappointed" by unexpectedly low revenues.

Nato secretary general Javier Solana (right), on a visit to Bosnia. voiced his support yesterday for Mr Rajko Kasagic, dismissed as Bosnian Serb PM by Mr Radovan Karadzic

commercial bank creditors of

former Yugoslavia as a vital

precondition for Croatia to

make its first Eurobond issue

for around \$200m, a move that

October, said Mr Skegro.

was planned for September or

In a final step it was hoping

to receive its first ratings from

the international credit rating

agencies by the end of the

Mr Skegro dismissed the

threat that the Croatian debt deal could be undermined

by a legal attack from Bel-

Rump Yugoslavia, which

comprises Serbia and Montene-

gro, is already trying to sab-

otage through a legal action in

the UK a similar debt deal

made between the commercial

banks and Slovenia, which is

due for final implementation in

"I do not believe that we will

be brought into the legal

EUROPEAN NEWS DIGEST

Prodi to form government

Mr Romano Prodi last night agreed to form Italy's first centre-left government, less than a month after his coalition's narrow victory in the elections. Mr Prodi is expected to appoint ministers over tha weekend, ending one of the shortest periods of post-election uncertainty in recent Italian

One of his first tasks will be the approval of a package of One of his first tasks with be the approval of planage of corrective measures to keep the country's 1996 budget on course. Late on Wednesday, Mr Lamberto Dini, the outgoing prime minister and treasury minister, passed responsibility for the mini-budget to Mr Prodi's administration. Mr Prodi has promised to push through the L12,000bn (\$7.7bn) package as

Analysts said yesterday that the success of the new government in implementing a series of cuts and fiscal adjustments would be one signal of the centre-left's ability to manage the new parliament and its allies on the hard left. Political opponents had criticised Mr Dini's provisional decision to enact the measures, arguing that it was "constitutionally and politically incorrect" for a caretaker government to take decisions of such importance. Italian newspapers reported yesterday that Mr Carlo Azeglio Clampi, likely to be treasury minister in the Prodi administration, had

High turnout in Gibraltar poll:

centre-left's economic policy.

also expressed concern about the type of measures proposed, and preferred to link the mini budget to the rest of the

Voters in Gibraltar turned out in high numbers yesterday to elect a new government that will grapple with the Rock's increasingly strained relations with Spain. The contest pits incumbent chief minister, Mr Joe Bossano, of the Socialist
Labour party, a man who prides himself on locking horns with Madrid's new conservative government, against Mr Paul Caruano of the Social Democrats, whose call to improve links.

with Spain has gained support in recent years.

More than 55 per cent of the Rock's 18,437 registered voters had cast ballots by mid-afternoon, a figure well ahead of the last election in 1992, a government spokesman said. Total ...: turnout in 1992 was 71 per cent. Official results were not expected until today. Voters were choosing a total of 15 deputies to the House of Assembly, Gibraltar's parliament. The party that wins at least eight seats forms a government and chooses a chief minister.

Spain plea on 'dirty war' files

Spain's best known judge asked the new conservative government yesterday to declassify military intelligence files on a "dirty war" waged against Basque Eta separatist rebelsunder the previous Socialist administration. Judge Baltasar Garzon, in charge of some of the investigations into the 1983-87 campaign of bombings, kidnappings and murders, requested thet the new government of Mr José Maria Aznar make public 18 files, court officials said.

Mr Aznar's Socialist predecessor, Mr Felipe González, had refused a similar request to declassify the files, partly because of charges that his administration was behind the campaign against the Basque rebels.

The Supreme Court has indicted Mr González's first interior minister, Mr José Barrionnevo, on three criminal charges on the basis of allegations that he set up and financed anti-lita death squads using ministry funds.

In his request for the military files to be declassified, Judge Garzon attached full transcripts of the papers, most of which were leaked to local media months ago, the court officials said. The papers cannot be used as evidence until their origin can be legally established through declassification. Reuter, Madrid

Kurds on Yilmaz's Bonn agenda

Mr Mesut Yilmaz, the Turkish prime minister, said yesterday he would convey his concern about the activities of the outlawed Kurdistan Workers Party (PKK) in Germany during a three-day visit to Boon, which began today. "I will communicate to German officials Turkey's unease about the terror organisation PKK continuing its activities, despite being outlawed in that country [Germany]," he said. The PKK has waged a 12-year guerrilla war for

ndependence or autonomy in southeast Turkey in which over 19,000 people have died. Its campaign has often spilled over into Germany, where around half a million of the 2.2m Turkish community are Turkish Kurds.

Mr Yilmaz said he would discuss increasing the position of Turks living in Germany, saying their rights were not in proportion to the contribution they made to German society. Talks would also include the removal obstacles facing Turkey's customs union with the European Union, which came into effect on January 1.

Spanish slowdown hurts jobs

ECONOMIC WATCH

Spanish unemployment

establish an independent presdeal Croatia must now gain the Yugoslavia in 1991. action," said Mr Skegro. "We Inflation was forecast to fall backing of creditors holding at The creditors' approval is ence in the international capibelieve In negotiated settleto 3.2 per cent, one of the lowleast two thirds of the debt by necessary in order to release Croatia from the onerous est levels of any of the former communist countries in central tal markets. ments. These kinds of transacthe deadline it has set of May It was seeking to regularise tions cannot be settled through its relations with the

mid-June.

By Laura Silber in Zagreb

The threats of hyperinflation and continued international isolation have returned to on Wednesday night of its cen-

tral bank governor. Mr Dragoslav Avramovic was ousted by the federal parhament after a protracted and hitter dispute with the Serb-led Yugoslav government over economic reforms, hadly needed to salvage an economy destroyed by 42 months of United Nations sanctions and wars in Bosnia and Croatia. Over the past two months,

sharp differences have emerged from the ruins of foremerged between the marketoriented Mr Avramovic and the government, which takes its instructions from Serbia's President Slobodan Milosevic. The cash-starved Serhian

Source: Crosten Ministry of Finance

by former Yugoslavia under

the so-called New Financing

Agreement (NFA) of 1988

which was the last debt

restructuring deal made by

Belgrade before the hreak-up of

regime had exerted intense pressure on Mr Avramovic to print new money in order to finance agriculture, pensions and wages in what govern-ment officials call "controlled

Last month Mr Avramovic said be accepted conditions set by the International Monetary Fund, the same terms outlined for the other states which

mer Yngoslavia. Gaining access to foreign capital, he said, was the only way to avold a return to astronomical

Yugoslavia risks return to hyperinflation

By contrast, Mr Milosevic has refused to join the IMF unless Yugoslavia – now com-prising Serbia and Montenegro is named as the sole successor to the former Communist federation, rather than one of five successor states. After the violent disintegration of Yugo-slavia, the European Union, followed by the UN, decided in 1991 that all successor states would be treated equally.

After more than two decades with the World Bank, the 78year-oid Mr Avramovic returned to Belgrade late in 1993 to help his native country. He enjoys broad public support for having halted hyperflation - thanks to a restrictive monetary policy -and introdocing a stable dinar,

the national currency. Mr Avramovic'a dismissal comes against a background of growing labour nnrest. Despite the suspension of sanctions last November, more than half the workforce is unemployed, most factories

monthly wage is about DM140 Last antnmn he put forward a programme of reforms which included priva-

Croatia was specifically excluding from its debt exchange offer so-called Ser-

bian "connected persons

which were estimated to hold

around 15 per cent of the NFA

Skegro.

debt totalling \$4.4bn, said Mr

Rump Yngoslavia is still

locked in bitter dispute with

the other states that emerged

from former Yugoslavia -

Croatia, Slovenia, Macedonia

and Bosnia-Hercegovina - over

the assets of former Yugo

slavia, which included up to

\$2bn in foreign exchange and

gold currently frozen in

foreign accounts chiefly in the

UK. Switzerland and the

Mr Skegro forecast that the

Croatian economy would grow

by about 6.5 per cent this year

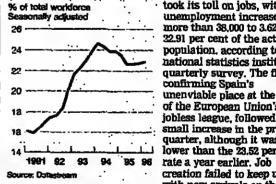
compared with a growth of

gross domestic product of 2.95

per cent in 1995.

tisation, the ltberalis-atton of foreign trade and the restructuring of the banking system. Mr Milosevic hlocked the entire package. Privately, Mr Avramovic has blamed top Serbian officials for getting rich from sanctions

and corruption, and lacking any vision of reform. On Wednesday night he did not hide bis hitterness, saying: "Whenever they open their mouths, they lie."



growth in the first quarter took its toll on jobs, with an unemployment increase of more than 38,000 to 3,62m or 22.91 per cent of the active population, according to the national statistics institute's quarterly survey. The figure, confirming Spain's unenviable place at the head of the European Union's jobless league, followed a small increase in the previous quarter, although it was still lower than the 23.52 per cent creation failed to keep up

Slower Spanish economic

with new arrivals on the labour market. Union leaders, who beld their first meeting with the new prime minister, Mr José María Aznar, on Wednesday, said the rise was a strong argument against any move to ease redundancy conditions. Mr Antonio Gutierrez, leader of the Workers' Commissions union federation, described it as "a warning signal". The survey is used as the main guide to employment trends but is considered to exaggerate the jobless total. The latest monthly figure for registered job-seekers was 1.28m lower than the total suggested by the survey.

David White, Mad The Polish government yesterday raised its year-on-year inflation forecast for December 1996 by two points to 19 per

cent, expecting rapid growth in fuel and food prices.

Bulgaria's bank chiefs prepare to weed out stragglers

By Theodor Troev in Sofia and Kevin Done in London

The governors of Bulgaria's National Bank met yesterday to consider the closure of the country's weakest banks in a first step towards restoring confidence in the crumbling

banking system.
The bank bankruptcy bill, which became law yesterday, gives the cen-tral bank powers to request through the courts the opening of bank-ruptcy procedures against ailing

Ominously the Bulgarian cur-

rency, the lev, began to weaken again yesterday despite record high interest rates, as many banks were besteged by anxious depositors seek ing to withdraw their money.

As the economic crisis deepeus,

shortages of bread have been reported in some parts of the country, traditionally a wheat exporter.

Government officials have said that bank deposits will be protected, but no guarantee scheme has yet been implemented.

"All kinds of rumours are circulat-

ing and it is difficult for me to judge which bank is really sound," said Mr

Stoyan Totey, one of the depositors queueing outside a state bank in

Sofia yesterday.
"I will try to withdraw whatever money I can and I will keep it in a secret place in my house until the government announces the names of the banks to be liquidated."

As banks impose strict limits on the amounts they are prepared to pay out each day, many depositors are putting their money into jars at home, prompting a joke in Sofia that the only bank in which Bulgarians have confidence is "Jarbank".

institutions insolvent, the central bank is also seeking to encourage the consolidation of the sector with the merger of certain state and pri-vate banks. The acquisition of stakes by foreign investors is also being considered.

Of Bulgaria's 47 banks, those considered to be in the worst financial condition are Mineralbank, Economic Bank, Stopanska Banka AD, Balkanbank, Yambol Trade Bank and First Private Bank. Agrobusinesbank and the Bank for Agricultural Credit have been taken over by Apart from declaring some of the the central bank to prevent their col-

lapse, whils the licences of Crystal-bank and the Private Agricultural Investment Bank have been revoked by the authorities.

The outlines of the banking sec-

tor's restructuring are expected to be disclosed soon, to coincide with the end of the current mission of the International Monetary Fund in

The Socialist government led by Prime Minister Zhan Videnov, under pressure to reach a new standhy arrangement with the IMF to defuse the current economic crisis, has prepared a list of 64 loss-making state

enterprises that are to be closed, with about 25,000 jobs expected to be axed. The companies to be liquidated represent about 29 per cant of the losses of the state enterprise sector. A World Bank mission, led by Mi Franco Batzella, head of the trade and finance operations department, is expected to arrive in Sofia on

Monday to discuss the closures and the funding of severance payments. The government hopes to arrange a safety net loan from the World Bank to cover the equivalent of six months' pay for the workers that are

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de licitation de la company de More ... from 25 picatical activ M: Harrica i Bei au To: " ... EU/ 1000 ate were

Natura deal wi Peru's biggest By Selly Billy

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Optimism on avoiding US-China trade war

By Tony Walker in Beljing

US businessmen in China were yesterday cautiously optimistic that a trade war between the US and China would be averted, but representatives warned the dispute was likely

wanted the brink.

What we are seeing are intense and loud negotiations, but this is not so much difference to the seeing are the seeing are intense and loud negotiations. ent from 1992 and 1995," said Mr James McGregor, chairman of the American Chamber of

trede arguments which were resolved at the last moment. US officials also expressed guarded optimism about a sat-isfactory conclusion, although they warned thet polltical issues might derail agreement. Prickly relations between Bei-itog and Washingtoo over Talwan, coupled with presiden-tial elections in the US this year, are viewed as complica-

Wednesday to initiete sance either on stamping out piracy noted that last-ditch negotiations; but Beijing insists it or on improving market eccess tions should be less complicated to a Febru- for US entertainment and cated this year because, unlike ary 1995 Sino US ogreement aimed at curbing rampant counterfelting.

China vesterday said that its door was open for talke to avert a trade war, but only if Washington renounced "blgh handed" tactics. Wash ington, which is threatening punitive tariffs against some Mr James McGregor, chairman
of the American Chamber of
Commerce, of previous Sino-US

China has reacted with typical bluster, expressing outrage
over the US decision on lived up to its commitments,

information products.

A US official said it was

important in the latest dispute to "get a handle once and for all on pirate CD plants". The US claims that 30 of these fac-tories, most of them in southern Guangdong province, are flagrantly producing coun-

But the official also said that China was getting closer to sat-isfying US objections. He also

last year, a framework agree-ment was in place.

"The Chinese have done a lot," he said, "but the picture would be much clearer if they closed those CD plants." Some analysts see advan-tages for both sides in what one called e 30-day "phony war". The appearance of US toughness would provide cover for President Bill Clinton to renew China's Most Favoured

Nation status against congressional opponents who eccuse him of being soft on Belling. A decision is due by June 4.
On the Chinese side, the

threat of sanctions may strengthen the hands of central bureaucrats in Beiling in their against CD pirates in the south.

European business appears to be drawing little comfort from the Sino-US row. "it's part of the ebb and flow of doing business in China," said

e representative of an investment bouse. "If it'e not the Americans, It

will be us next."
Mr McGregor said the "bottom line" for China was the fact that 31 per cent of its exports went to the US, and therefore it was "in the interests" of Beijing to resolve the issue without a sanctions fight. According to the US commerce department, China's trade surplus with the US at the end of last year was \$33.8hn, with China'e exports 359.9 124.1

reaching \$45.5bn and imports

at \$11,7bn. In the first two months of this year China'e surplus was running at about the same

Japanese warn of negative effects on world economy

By Emiko Terazono in Tokyo

Japan yesterday described the escalating trade row between the US and China as "counterproductive" and warned that the dispute could have negative effects on the global econ-

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"Slapping sanctions on each other will have no favourable effects on the world economy," mid Mr Tomio Tsutsumi, vice-minister of international trade and industry, following threats by both Washington and Beljing to impose punitive tariffs and import bans on hundreds

of products.
The US on Wednesday presented China with a list of goods totalling \$3bn which could be liable to import tariffs of 100 per cent or more unless Beijing agrees to improve protection of intellectual property, including compact discs and software, by June 17. China responded by announcing Its own list of US products which would be subject to punitive

"We hope China and the US will settle the issue through dialogue before the sanctions go into effect," said Mr Tsutsumi. Japan itself agreed to amend its copyright property rules on recorded music this year after the US and EU threated to take the Issue to the World Trade Organisation. The country's copyright protection deted back only to 1971 and the US and EU wanted an

extension to 1946. Mr Tsutsumi criticised the US government's threatened use of trade sanctions to settle the issue with Ching. The Japanese government has always resected similar tactics used by the US in previous bileteral

trade disputes. Earlier this week, Mr Tsutsumi told Chinese trade representativee during Sino-Japa-nese vice-ministerial talks on industrial partnership thet Japan would support China's bid for entering the WTO and that while China should ablde by WTO rules, it needed a tranThe incoming president of Japan'e Fuji Photo Film said he would welcome talks on the company's dispute with Eastman Kodak of the US under the anspices of the World Trade Organisation.

AP-DJ reports from Tokyo. However, Mr Masayuki Muneyuki criticised the US government for threatening to nse Section 301 of the US trade Fuji-Kodak issue.

He said the issue should be treated within domestic anti-monopoly laws because Kodak's complaint focuses on

Japanese business practices. He said both Japan and the US had played active parts in creating the WTO in order to settle international trade disputes. "If we can't settle this problem, I think it would be a very good thing to talk about it at the WTO," he said. However, be said he was not in a position to say bow the issue should be brought to the WTO negotiating table.

Dispute puts squeeze on Hong Kong

The colony's two main trading partners are at odds, reports John Ridding



hard place. "Since China and the US are our two largest trading partners, we would be very coocerned about any adverse effect such measures might have on Hong Kong's economy," said Ms Denise Yue, trade and industry secretary, in a reference to threatened US sanctions and promised Chinese repri-

Many in the business and investment community took the trade skirmish in their stride, expressing confidence that a compromise would be reached. But they noted the potential for damage.

Hong Kong's trade-based economy is the conduit for much of the commerce between the mainland and the US. Of Hong Kong'a total re-exports of HK\$1,100hm (US\$142bn) last year, more than half came from China and HK\$231bn went to the US.

The territory is also exposed because many of its labour-intensive industries, from textiles to consumer electronics, have shifted ecross the border to Guangdong to capitalise on lower costs. The southern Chinese province will feel a disproportionate blow if sanctions take effect between China and the US. economist at one investment bank.

be trans-Pacific trade dispute between China and the US puts Hong Kong between a rock and a

Describing Guangdong as "Chine's most notorious region for piracy", Mrs Charlene Barshefsky, acting US trade representative, outlined targeted sanc-tions designed to hit some of the region's main industries.

What is bad news for Guangdong is bad news for Hong Kong, by far the largest investor in the province and an outlet for its goods. But how bad the news could be depends on the process of the trade dispute.

For many, concerns are tempered by scepticism. "We have been bere many times before and a solution was found. This is really political games," said Mrs Josephine Ha, marketing manager of Topstyle, e Hong Kong clothing maker with factories in Guangdong. She admitted, bowever, that the imposition of sanctions would be "a severe setback for the industry". Other sectors, including electronics, transport and Hong Kong's port operators would also feel

Overall, most economists play down the impact on Hong Kong's economy of the initial US\$2bn.\$3bn sanctions. "There would be pain for some compa-nies, but the overall economy would not be too badly affected," said the chief

The real problems would arise from an escalation of measures and counter measures and a threat to the renewal of China's Most Favoured Nation trading status with the US. While most busi-ness people believe the dispute should be resolved and MFN be approved, others warn of increased unpredictability

during a US election year.

During a visit to Washington this month, Mr Chris Patten, the Hong Kong governor, warned of the damage to Hong Kong that would be wrought by a revocation of China's MFN status. He said the move would cut Hong Kong's economic growth rate by up to half and cost 90,000 jobs.

How the current dispute will affect MFN prospects is unclear. While the clear risk is that deteriorating trade relations will further complicate the renewal of China's trade status, specific disputes could deflect the issue.

"Rapping Beijing oo the knuckles on specific issues such as intellectual property righta may be painful," said Mr Tony Miller, director general of Hong Kong's trade department. "But by focusing congressional irritations on the components of trade relations it could even help the administration get

UK businessmen go east

By James Harding

Mr Michael Heseltine, the UK deputy prime minister, today leeves for China leading the largest UK delegation of busi-

nessmen to e foreign country. More than 270 executives from the entomotive, eeroespace, textiles and telecommuications industries are joining Mr Heseltine on a week visit to Beijing, Shanghai and Hong

The trip underlines the UK government's growing faith in ministerial export promotion arge IIS

trade delegations to China.

Natural gas

deal will be

The Peruvian government is today scheduled to sign an agreement for the largest sin-

gle investment in the country.

The investment of between

\$2.7bn and \$2.8bn by a consor-tium comprising Shell and Mobil will develop the huge

natural gas and bydrocarbons

deposits of Camisea, 300 miles south east of Lima. Camisea contains reserves of

grs and liquid hydrocarbons
e.hivalent to 2.2hn barrels of
oil, more than six times the
country's current oil reserves.
The deposits were discovered

by Royal Dutch Shell in 1986

after several years of intensive

exploration in the remote jungle area. Development was stymied, however, when the project fell foul of then president Alan Garcia's lack of enthusiare for foreign investment.

the Fujimori government's echlevements in fighting hyperinflation and terrorism. Shell was prevailed npon to dust off its feasibility studies and take another look at Camisea. Spreading the risk, it entered into partnership with Mobil of the US. Negotiations over development strategies.

over development strategies, taxes and royalties have now

Development of Camisea will allow Peru to become a net exporter of oil and hydrocar-

bons within five years, according to energy ministry officials.

Currently, fuel imports cost around \$300m a year. In a first-phase development agreed with Shell/Mobil, gas

from Camisea will be used to generate electricity at a 450MW power plant close to the well-head The plant will be con-structed by selected indepen-dent power producers for

lasted e year.

asm for foreign investment. Two years ago, convinced by the Fujimori government's

Peru's

biggest

By Salty Bowen

and have set aside an entire afternoon next week to announce new ventures. Land Rover is set to announce its launch into the Chinese market on Monday,

will generate a number of com-

mercial contracts and projects

first outlet in Beijing.

A large group of weter-related industries will also be joining Mr Heseltine, who is due to discuss Weter projects with the ministry of construc-

with the official opening of its

on the trip include British in south east Asia.

Ministers believe the visit Aerospace, Cable and Wireless West Merchant Bank, Rolls Royce and directors of most of the largest privatised utilities.

Mr Heseltine expects e num-ber of new deals to flow from the trip and justified the growing amount of ministerial time spent on trade delegations to Asia with figures from a National Andit Office report last month.

According to the NAO report, government assistance to overseas exporters cost approximately £4.5m (\$6.8m) in 1994 and helped generate

WORLD TRADE NEWS DIGEST

China Airlines to buy 8 Boeings

China Airlines (CAL), the Taiwanese carrier, yesterday signed e \$1.4bn contract with Boeing of the US for eight 747-400 aircraft. The first four firm orders are for aircraft to be delivered between May and December 1997. The rest, or option, will be added to CAL's fleet between 1996 and 2002 as needed, the company said. They will fly routes from Taiwan to the US and Europe.

The purchase will help bring the carrier's fleet from 41 today to 67 by 2003. The move followed CAL's announcement last December that It would buy six Boeing 737-800s, including options to buy nine more, for \$750m.

Laura Tyson, Taipei

VW in Dead Sea project

Volkswagen, Europe's largest carmaker, and Israel's Dead Sea Works yesterday signed a joint vecture contract to extract magnesium from the Dead Sea. The project, with an estimated total investment of up to \$800m, will be the biggest European investment in Israel.

"Volkswagen's entry into Israel is a manifestation of the economic benefits to Israel as a direct result of the peace process and Israel's peace agreements with its neighbours,"

Volkswagen said.

Dead Sea Works, a subsidiary of Israel Chemicals, holds a 65 per cent interest in the joint venture, to be called Dead Sea Magnesium, and Volkswagen bolds the remainder. Under the first phase of the project, the partners will invest \$400m. in the second stage, \$300m will be invested with a further \$50m spent on a die casting plant to make car parts from magnesium.

The magnesium, lighter and stronger than aluminium, will allow Volkswageo to build a more environmentally friendly car, lighter and consuming less fuel. Julian Ozanne, Jerusalem

Virgin buying Airbuses

Virgin Atlantic of the UK is to buy two more ultra-long range A340-300 aircraft from Airbus Industrie, the European consortium, but said it was still talking to Boeing of the US

about ordering 777s. Virgin said the new Airbus aircraft would be delivered in the second quarter of 1997, bringing the number of A340s in service with the airline to eight. Mr Richard Branson, chairman, said the aircraft would be used to fly to the US. Asia and South Africa. The airline is also considering

Asia and South Africa. The airline is also considering launching flights to the Caribbean.

Virgin bolds options on six Boeing 777s and said it was still talking to the US company about buying them. But Mr Branson has said the A340 may turn out to be a more economical aircraft to operate than the 777. He also said some pessengers would rather fly on a four-engined aircraft, euch as the A340, than on the Boeing 777, which has two engines.

Michael Skapinker, Aerospace Correspondent

■ CAE, the Canadian electronics group, will emply a satellite-based air traffic control system to the Airports Authority of India. The \$1m FANS system will ease congestion over the busy Bay of Bengal and Calcutta, saving fuel for Palent Cibbans, Montreal Robert Gibbens, Montreal

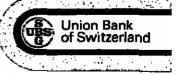
It has been the definition of the costly second-stage devel-opment, however, which has made negotiations so airlines. Robert Gibbens. Mon

Severfield Reeve is to supply 3,000 tonnes of structural steelwork for a new power station in Agaba, part of £21m (\$32m) of orders woo recently by the UK specialist engineering group. The power station is for the Jordan Electricity protracted. The nub of the Andrew Taylor, Construction Correspondent problem has been to pinpoint a market for Camisea'e gas.

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Ecuadorean poll leader polishes style

Raymond Colitt and Sarita Kendall meet the contenders in Sunday's election

since the day he lost the last run-off for president of Ecuador in 1992, Mr Jaime Nebot, a lawyer from the coastal city of Guayaquil, has been polishing his style.
The 49-year-old moustachioed candidate from the

centre-right Social Christian party has toned down his accusatory, fist-pounding public speeches. Now he appears, dark suited and smiling, a cal-

The image change appears to be working. He leads the opin-ion polls ahead of Sunday's elections, but not by enough to candidate on July 6. Nine presidential candidates are battling for the presidency, which is up for election along with all the seats in Congress and all pro-

Backed by the large agro-in-dustries from the coast, Mr Nebot is the most outspoken proponent of a market economy. Abroad he tells investors of public payroll cuts and privatisation; at home he speaks more of improved public services and increased social

Mr Nebot's party is almost certain to gain the largest con-gressional block. If like most dent Sixto Duran, he reaches impasse with congress. Mr Nebot as president is expected to resort frequently to refer

His principal contender is Mr Abdala Bucaram, 44, a populist also from Guayaquil who has made two previous unsuccess ful attempts at the presidency. With his anti-establishment rhetoric. Mr Bucaram of the Roldosista Party typicslly

ployed.
In order to draw crowds, Mr Bncaram often engages in theatrical performances, occasionally impersonating fantastic characters such as the comic strip character Batman. Mr Bucaram stands a good chance of making the second round, but attracts too much opposition to be a likely presi-

The most surprising con-tender is a television show host with no political experieoce, 50-year-old Mr Freddy

He appeared in the political arena only months ago, grab-bing a 17 per cent share of the vote within a week. "Ehlers produced an earthquake in the opinion polls." says Mr Jaime Duran, a pollster and political



Nebot, the most likely contender and Ehlers, the most surprising

responded to a widespread dis-illusionment with long-stand-ing politicians. "He is an authentic outsider," says Mr

Mr Ehlers is benefiting from last year's corruption scandal. which led vice-prsaldent Alberto Dahik to flee the country over charges of having misused secret state funds. With the economy also growing last year at only half of its 5 per cent target, Ecuadoreans, also angered by rising taxes and petrol prices, lost faith in politicians, says Mrs Dorothea Wollrad, head of the Latin American Social Research

Institute, in Quito.

Mr Ehlers has built a rainbow coalition backed by labour unions, native indians and the centre-left Izquierda Democratica party. Indigenous people, which represent about 30-35 per cent of the population and as much as 8 per cent of the sented in the national gover-

ment or congress. "This is the first time we are participating in slections with our own candidates," says Miguel Linco, who is running on sional candidate in the Andean province Chimborazo

Critics insist that Mr Ehler's constituency would be incom-patible with market-oriented reform. The agenda of the indian movement, which pluri-national state and integ-rating natives into society also faces considerable resistance

by a large sector of society. Says Polivio Cordovez of the polling firm Cedatos: "If elected, Ehlers would have an extremely difficult time to convince those Ecuadoreans that didn't vote for him."

According to the most recent polls, Mr Ehlers falls just short of tying Mr Bucaram for second place. But he has not yet managed to dent Mr Nehot's 10-12 percentage point lead.

Voting is obligatory for the literate in Ecuador. "Sixty per

cent of Ecuadoreans wouldn't vote if they didn't have to. This makes opinion polls very imprecise, a lot of people only decide how to vote when they're waiting in the queue," says Mr Duran. This could mean that Mr

Eblers, who relies on many native indians to make their way to the nearest polling station from isolated rural comin store. Only days before the election, 20 per cent of all eligi-ble voters are still undecided.

Uphill task to catch up with Clinton

Dole seeks revival in US heartland

ex-senator, yesterday took his Washington, where he was losspecifically Chicago, where he believes it can be won.

But he left the capital ahuzz with speculation about who would succeed him as majority leader and what that choice might mean for the mass of legislation now bogged down in a classic congressional gridlock between Republicans and

Mr Dole took to the road on a wave of compliments for the eloquence with which he had resignation from the Senate, where he has served for 27 years. But that was matched by sober analysis of the difficulties he faces in overcoming his 20-point polling deficit behind President Bill Clinton.

The consensus view was expressed by Mr R.W. Apple in the New York Times. "It was a bold manoeuvre, full of potential perils - not least the possi-

would see his resignation as just another gimmick rather than the symbol of new departure that he intends.

Mr Dole also has finance problems, with perhaps no more than \$1m left in federal funds to spend between now and the August convention, after which he will get an official infusion of about \$65m. By contrast Mr Clinton, unopposed in the Democratic primaries, has an estimated \$20m available for deployment over the summer

Many of the Dole campaign staff have already been trans-ferred to the Republican national committee, which yes-terday came to his further aid with the Isunch of a threemonth \$20m advertising cam-

Ssnator Tom Daschle, the Democratic Senate leader, was political spin on Mr Dole's dra-matic move. "Boh Dole's departure," he said, "is the first Gingrich Congress" and the

with the Speaker of the House Leading contenders to become the next majority leader, listed in the probable order in which they are rated by their Senate colleagues, are Senators Trent Lott, now Mr Dols's deputy and chief whip, and Thad Cochran, both from Mississippi, Senator Don Nickles from Oklahoma and Senator Pete Domenici from New Mexico.

The outcome may depend on whether Mr Nickles decides to go for the whip's position instead of the majority leader-ship. That would probably help Mr Lott, lika Mr Nickles a strong conservative.

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But there was considerable doubt whether the new leader would have the authority to cut through the current leg tive log-jam. Evan Mr Dole failed in this task over the last month hut he always appeared more likely to engineer a compromise on raising the federal minimum wage and on the health insurance reform bill than any of his prospective

gave employees a free turkey at Christmas and free choco

lates on Valentine's Day, built

a summer camp for employees children and provided free emotional counselling and a

wellness centre", all at a cost

of only 70 cents per employee

an hour, less than 10 per cent

Mr Clinton urged the executives to follow five "principles of corporate citizenship",

including creating family friendly workplaces where

employees could be offered

care and time off to fulfil the

duties of parenthood. Busi-

nesses must provide healthcare and pension benefits, safe-workplaces, they must invest-in worker training and make

their businesses a "partnership with employees", he said. But if the political goal of the

the president's concern for

workers caught in an era of

corporate downsizing, most of

the measures presented

focused on making existing

employees happier rather than

outlining a humane approach

Republicans were quick to condemn Mr Clinton for med-

Mr Haley Barbour, chairman

dling in the private sector.

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Chief executives told how to mix virtue with profit small family-owned midwes-tern gasket-maker, said he

President Blll Clinton yesterday gave 100 chief executives a free breakfast at the White House, along with some free advice on how to be both virtuous and profitable in busi-

The president invited the business leaders to Washington, on the first day of a reinvigorated US presidential election campaign, to urge them to fulfil their "corporate responsi-billty" to the American worker. He urged them to create "family-friendly" workplaces and to adopt as their motto the aphorism: "Do well

by doing good".

Over breakfast and during a day-long seminar at Georgetown University, Mr Clinton argued that US companies could offer more generous benefits to workers while enbanccompanies to illustrate his argument, including Starbucks, the coffee company which cails its employees 'partners" and offers them stock options together with health insurance benefits for

part-time workers. In the ornate chamber of Gaston Hall at the university. he invited the model executives to outline their formulae for making money while keep-

ing employees happy.

Mr Yvon Chouinard of Patagonia, an outdoor-wear manufacturer, sxplained how he ensured employee loyalty by allowing workers, including nursing mothers, to keep young children with them as they worked. "I want our employees to bond with their children." he said, adding "we don't provide these benefits because we're nice. We provide them because they are good for our business".

of the Republican national committee, said the conference was "evidence of this administration's desire to control the

economy". Mr Jerry Jasinowski, president of the. National Association of Manufacturers, damned it with faint praise. "Focusing on the positive steps corporations are taking to help their employees is a welcome antidote to hysterical

corporate bashing. But all to

been more of a hindrance than Mr Ken Lehman of Fel-Pro, a a help," he said.

AMERICAN NEWS DIGEST

Mexico plans mortgage aid

Mexico yesterday announced a \$3bo plan to help borrowers meet mortgage payments and stop the deterioration in banks' asset quality. Interest is not being paid on 10 to 11 per cent of mortgages, according to conservative estimates, as interest rates are set typically 10 points over inter-bank interest rates, which are currently at 30 per cent.

The new scheme links the principal owed to inflation and

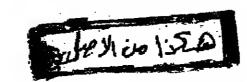
makes interest payments more gradual. The government will assume 30 per cent of mortgage payments in 1996 and a similar proportion in the next two years. Nearly all the country's 900,000 mortgage holders will be eligible. The scheme, which will be spread over 10 years, is programmed to come into effect on June 1. The programme should benefit the country's two leading banks, Banamex and Bancomer particularly, since mortgage loans represent more than a third of their total loan portfolios.

Daniel Dambey, Mexico City Daniel Dambey, Mexico City

US housing starts rise by 5.9%

The US housing market is showing surprising resilience in the face of higher long-term interest rates, figures indicated yesterday. The Commerce Department said starts rose 5.9 per cent last month to a seasonally adjusted annual rate of 1.52m. Most Wall Street economists had expected a decline of a figure of the seasonally adjusted annual rate of 1.52m. 1.5 per cent. The increase was the largest since a jump of 7.9 per cent last November and more than offset a revised decline of 5.2 per cent in March. Starts were up 16 per cent in the first four months of this year compared with the same period last year. Building permits were up 3 per cent last month and by 18 per cent in the first four months relative to the same period last year.

Michael Prouse, Washington



NEWS: INTERNATIONAL

Tip-offs, management changes, accidents - not controls - uncover most problems

Big company frauds 'detected by chance'

Law Courts Correspondent

Most frauds on hig companies throughout the world are detected by chance rather than through control systems such as audits, an interna-tional survey by Ernst & Young, the UK accountants, has shown.

The finding that most frauds are uncovered through tip-offs, manage-ment changes and accidents is particularly worrying, said Mr David Sherwin of Ernst & Young's fraud prevention unit, which commissioned the survey. "It implies that there is a lot more fraud going on than is ever

Most discovered frauds were regarded as preventable, but a widespread lack of proper prevention policles and poor controls mean they are thought likely to recur, the survey

Businesses were often more concerned about commercial expansion than fraud prevention, leaving a gap that fraudsters could exploit, it dis-

The survey, published yesterday, attracted 905 responses from 5,500 directors and seniur managers of large companies operating in 11 countries, including the UK, US, France.

Hong Koug, Netherlands, South Africa and Australia.

The 17 sectors surveyed included banking and financial services, oil and gas, engineering and manufactur-ing, insurance, chemicals, hotels and leisure, and telecommunications.

The survey also revealed: · Four out of five frauds on companies are committed by staff, often trusted and long-serving employees. Only financial institutions were hit mainly by outsiders.

• Frauds involving either misuse of

computers or corruption in purchasing operations were of most concern to directors.

 Eighty-eight per cent of directors who responded to the survey felt their companies were as vulnerable to frauds now as five years ago, or more so. Some blamed the increased global-isation of business and use of comput-

ers and the internet to transfer assets. Frauds were more likely to take ce in companies where responsibility for prevention had been delegated by directors to other people such as internal audit departments.

 Almost half the respondents thought their directors had a "less than good" understanding of their about their foreign operations. Tencases not being reported.

· Confidence in court processes varied. Only one in four thought the UK courts could handle fraud trials prop-erly, while 94 per cent had confidence

in the Hong Kong system. South America, eastern Europe and northern and west Africa were regarded as as high-risk regions to conduct business in.

Ernst & Young 1996 International Fraud Survey. Mike Carlton, Ernst & Young, Becket House, 1, Lambeth Pal-ace Road, London SE1 TEU. Tel: 0171

Insurers ponder environmental risk management

By Leyla Boulton Environment Correspondent

interest

interuational insurance componies meet in London on Monday to consider ways of hetter managing environmental risks, which are costing the business huge amounts of

Mr Andrew Dlugolecki, assistant general manager of General Accident, the UK insurer, said yesterday that a more immediate aim of the meeting was to try to influence the outcome of climate change talks this summer and next.

He said the insurance sector's lobbying capacity was "not geared up to talk at the international level to policymakers where big decisions are being made." This was in sharp contrast, for example, to more vocal lobbying by some companies in the energy sector such as fossil-fuel producers. which have been campaigning against radical reductions in carbon dioxide emissions which contribute to global

The insurance industry, he said, wanted effective action to deal with climate change, but also believed it should be carried out in an "orderly" fash-

Mr Dlugolecki, a member of the steering group organising the two-day meeting, said a whole range of other environmental concerns included oil spills, contaminated land, and

ment Programme (UNEP). which is co-sponsoring the meeting, says clean-up costs

The steady decline in aid to

cult and create yet more

humanitarian emergencies, Mr

James Gustave Speth, head of

the United Nations Develop-

ment Programme, said this

Mr Speth, in Geneva for

UNDP's annual executive board meeting, said it was a myth that "privatisation and a

free market, globalisation and

foreign direct investment [FDI]

ohviate the need for develop-

lation, while the gap between the richest and the poorest 20

per cent had doubled from 30-

The conference will seek to

put flesh on the bones of a Statement of Environmental Commitment signed by 54 insurance companies since the declaration's launch last November by UNEP. "Growing awareness of human-induced natural disasters, such as oil spills or floods can be expected to reshape the investment markets of tomorrow," UNEP said.

US companies fear they could be held legally responsible for signing

That statement committed signatories to pay more attention to environmental risks, and to promote sound environmental practice within the industry and among the companies they insure.

But while most of the big European and Japanese insurance companies will attend the meeting, there will few US delegates. Mr Frank Nutter, president of the Reinsurance Association of America, said this was partly because US companies feared they could be held legally responsible for signing the UNEP document.

He said another problem was that they were not "as far up the learning curve" on the implications of prob-

Mr Dlugolecki however dismissed fears of litigation, sayfor the US Superfund pro-gramme established to clean sidiary had looked into the ing General Accident's US subup contaminated land could issue and saw no problems.

Almost all FDl went to 20

More humanitarian

emergencies feared

By Frances Williams in Geneva fold to 60-fold over three

Around the world poverty has a budget of \$1.8bn (£1.2bn),

was growing faster than popu- 90 per cent of which goes in

Algeria seeking democracy 'to re-establish social peace'

Roula Khalaf in Algiers talks to Mihoub Mihoubi, minister of culture, about the country's constitutional proposals

emocracy and pluralism are the two words that recur most frequently in conversation with Mr Mihoub Mihoubi, Algeria's minister of communication and culture and a close associate of President Liamine Zeroual.

He says Mr Zeroual has been engaged in a persistent search for democracy, and his plans for a referendum on the constitution, to be followed next year hy legislative electious, are the final stage in his attempts to build this democracy,

In a country where people have lost all measure of trust to each other, this view is not widely shared by opposition leaders. They see Mr Zeroual's plans as a facade for democracy and Algeria as a country ultimately managed by an army which in 1992 stepped in to cancel an Islamist victory in elections many of thought perfectly democratic.

But that was a democracy

without brakes or limits, as Mr Mihoubi puts in, and this is why the 1992 elections had to be cancelled, sinking Algeria into four years of violence. The kind of democracy Mr Zeroual wants to create will have more solid foundations, he said in an interview, and will be set within an institutional framework that will prevent parties from manipulating Islam to attain power.

The president's platform, which calls for wide-ranging constitutional amendments, will re-establish the foundation of democracy and will be the graveyard of all the detractors of democracy", Mr Mihoubi said. "Our objective is not to perpetuate our power, nor to win elections, but to re-establish social peace and consoli-date it in a democratic sys-

The amendments proposed by the president aim to prevent parties from using Islam and other elements of the Algerian national identity for pobtical ends and require them to have a large constituency across the territory and an established track record.

poor countries will make equi-table development more diffi-directed to Africa and 2 per everal opposition parties cent to the 48 least-developed continue to believe that negotiations among all Mr Speth said that if the decline in development aid the parties concerned in the four-year struggle between continued "the world will pay Islamic militants and security dearly with tragic consequences down the road and forces are required to rebuild a level of trust before elections face a much heavier financial are held; others want to have elections before a vote on the places as the Middle East and constitution. But most see in these amendments a sordid Bosnia hut it was true in many other parts of the world. attempt to control the political

> They point for instance to the proposal which envisages giving the president the power to issue legislation in extraordinary circumstances.



Mr Mihouhi insists the president's objective is quite the opposite. Clauses within the proposals were designed to limit, rather than expand, the president's own powers by allowing him a maximum of two terms and establishing a higher state court to judge the president and the prime minister in cases of treason.

Mr Mihoubi says the parties have the chance to argue on the changes proposed in the constitution hy replying to a memorandum the president has just sent to them. "Whether the parties adhere to this approach or not is their right," says Mr Mihoubi.
"What is important is that they bring constructive propositions to this document to contribute to the emergence of this legis-

Mr Mihoubi will not directly

comment on the fate of Islam-Like other members of the ist parties once the new consticurrent government, Mr Mihtution is adopted. The Islamic oubi is convinced that the FIS Salvation Front (FIS), which is a thing of the past. The violence he says, is now of a was poised to win the second round of legislative elections in 1992, was subsequently outernment has already "done all lawed. But another Islamist the necessary effort, all that party considered more accom-modating toward the governmorality requires" in its attempts to hold discussions ment was invited to field a canwith the FIS.

Asked if it was too late for some leaders of the FIS who denounce violence to enter the political game on the president's own terms, Mr Mihoubi gave an ambiguous answer.

r Mihoubi says:
"Islam does not need
a political party. The He would only say: "The people who voted for an Islamonly approach that is worth anything is the one that posiist party in the presidential elections - a minority of 25 per cent - will have the right to tions itself loyally within the express their views within the democratic game and accepts new rules of the constitution, all the rules that regard those which will be chosen by the who aspire to run the affairs of

Oxfam criticises IMF over poor countries' debts infection in South Africa

The New York-based UNDP

grants to low-income countries for poverty alleviation and

improved governance.

By Michael Holman, Africa Editor

ment aid".

The British charity Oxfam yesterday launched a hitter attack nn the International Monetary Fund (IMF), accus-ing it of "systematically obstructing" efforts to resolve the pruhlem of multilateral debt and the world's poorest

In its written submissinn to the House of Commons treasury select committee, the charity calls on the Britain to withdraw support from the IMF's enhanced structural adjustment facility (Esaf) unless the Fund makes what it calls "a substantial contribution to multilateral debt reduc-

The Fund has refused to contribute to a proposed trust fund which would be part of a comprehensive plan to ease the debt burden of severely IMF had "systematically

donor support for refinancing

The Group of Seven leading industrial countries are expected to discuss the plan, set out in a joint World Bank-IMF paper, at their summit in Lyons next month, but they are divided on its merits.

In its submission, Oxfam says that "refinancing old Esaf lar terms will offer no benefits in terms of debt reduction". The charity calls on the British government to put pressure on the IMF to sell part of its gold stocks to provide

immediate debt stock reduction on grant terms. Since 1987, the IMF bas received some \$4bn (£2.6bn) in repayments from Silics than it has provided in new loans. Oxfam said yesterday the

indebted lnw income countries understated the extent of the (Silics). Instead it is seeking understated the extent of the multilateral debt problem." and conducted what it called a

"campaign of disinformation". in 1980, debt owed to multilateral creditors accounted for 22 per cent of debt stock and 20 per cent of debt service payments. Today, it represents around 28 per cent of debt stock but just over one balf of debt service payments.

In a press statement yesterday, Oxfam called on the British government to oppose the re-instatement of the IMF's managing director, Mr Michel Camdessus, when his term of office expires in January: "As managing director of an insti-tution which has the power and resources to improve the plight of some of the world's poorest and most vulnerable people, Mr Camdessus' tenure bas been one of almost unmitigated failure - and it is time for a change."

Sharp rise in rate of HIV

didate in the presidential

elections won by Mr Zeroual

last November.

majority of people."

By Roger Matthews in Johannesburg

South Africa's rate of HIV infection rose sbarply last year, and the virus is now estimated to affect 1.8m people, or 4.3 per cent of the population, compared with 1.1m a year earlier, according to figures published by the ministry of

A survey of 14,000 pregnant women carried out in October and November revealed that 10.2 per cent tested positive for HIV, the condition which can lead to Aids. A year before the figure had been 7.6 per cent.

Mr Erich Potgieter, actuarial consultant to Old Mutual. South Africa's biggest life assurer, said the worsening of the Aids crisis would have serions implications for labour productivity and the cost of doing business. "Studies for our clients show the direct cost lation.

of employee benefits could rise by around 15 per cent of the payroll over a 10-year period."

He hoped the latest figures would jolt business and labour into urgent action to counter the potentially devastating effect of Aids on employee benefits. "An employer wbo is now contributing 20 per cent of pay-roll towards benefits could end up contributing 35 per cent, and this will be accompanied by costs of extra recruitment, training, sick pay and absen-

The survey, which is anonymous, is the sixth to be carried out and is used by the ministry of bealth as its main source for monitoring the levels of HIV infection. Mr Potgieter said the survey had a lot of scientific credibility and was a good basis for estimating the prevalence rate in the working popu-

teeism," he said.

infection rate should already have climbed to nearly 12 per cent among women in the 15-49 since the survey was carried

"The infection rate among men is likely to be lower, but this still implies that one to every nine people in the workforce is carrying the virus," he Mr Potgieter complained that

despite the deterioration there was no sign of official urgency is tackling the problem. He urged negotiations between employers and unions to assess the financial, social and human aspect of Aids before

planning a strategy.

The worst affected province is KwaZulu-Natal, where the infection rate among women attending prenatal clinics rose to 18.2 per cent, against the previous year's 14.4 per cent.



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Japan Airlines A BETTER APPROACH TO BUSINESS

Land sales will leave Japan with another big debt problem

Tokyo's asset price crash has undermined one of the cornerstones of rail privatisation. Gerard Baker assesses the consequences

ne of the biggest land auctions in history begins this month, in the heart of one of the world's hectares of prime real estate close to the Ginza shopping district, by the old Shimbashi railway statioo in central Tokyo, is to be offered for sale.

For the organisers it is critical that the aoction attracts plenty of demand and they are leaving nothing to chance. They will allow bidders up to five months to express an interest and have even estab-lished an Englisb language home page oo the Internet in an effort to attract particularly welcome foreign interest.

The efforts are understand-able. The land for sale represeots just one small part of perhaps the largest financial problem the Japanese government has yet to tackle, a hitherto largely unremarked bur-den thet dwarfs all the other potential liabilities it might have to face as it tries to dig the country out of the pro-longed financial crisis of the last five years. The land in question belongs

to the Japan National Railways Settlement Corporation (JNRSC). In 1987 the Japanese public sector railway system was broken op as a prelude to privatisation. The old Japanese National Railways (JNR) was

Removal of debt seemed a good idea at the time

split into seven regional com-panies, to be sold off one by one over the next few years. But if the companies were to be privatised successfully, one very important figure had to be taken out of the equatioo the accumulated debt of the old nationalised system.

By 1987, the accumulated losses of JNR had reached a staggering Y37,000bn (\$346bo).

If the successor companies had taken on this debt, their privatisatioo would have beeo a costs alooe would have rendered the companies hope lessly unprofitabla

Instead, the government hived off most of the debt to the new institution, the JNRSC, while the companies mselves were left with just Y11,600bn. The removal of the debt

seemed a good idea at the time. The broken-up companies were instantly relieved of their largest burden and could prepare for privatisation with healthy expectations of rising profits.

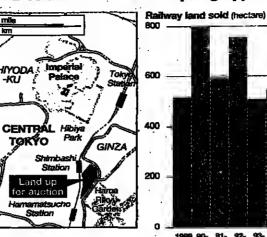
The new corporation would of course have the job of dis-

present a problem either. JNRSC would raise the money partly through proceeds from the various privatisa-tions, but mostly from sales of vast tracts of land handed over

posing of the debt. But in the

late 1980s that did oot seem to

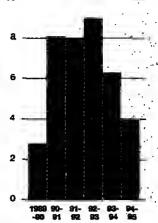
Real estate off the rails: Japan grapples with ¥20,000bn burden



on more than 8.800 hectares of land from the rail companies, and expected to sell the land for about Y7,700bn.

But that was just a couple of years before the end of the "bubble economy", the period of rapid increases in asset prices at the end of the 1980s, a time of over-optimism. The privatisation proceeds proved much smaller than expected. So far only a part of JR East, the largest of the successor companies, has come to market, raising just Y1,000bn. Sales of shares in the other possibly profitable companies have been repeatedly post-

poned. It is now boped to sell another Y1,500bn this year, still well short of target. But if the privatisation programme has been disappoint-



ing, the proceeds from sales of

land to have fetched perhaps a fifth of that figure. With that pattern repeated in

Average price per nectare (Von)

land have been disastrous. The JNRSC sold very little in the other sales, the sums are bleak for JNRSC. It was initially last year or two of the bubble period; theo wheo it tried to intended to recoup almost The Shimbashi site provides a good illustration of the prob-Y8,000bn from land sales; now it expects to get no more than Y4,400bn. a figure most observlem. In 1987 it alone was worth ers say is still unrealistically high. This adds up to a short-fall in its accounts of around an estimated Y4,000bn. When the bids are in later this year, real estate analysts expect the

clearly no realistic prospect of our reaching the targets set for

us," says JNRSC.
The ultimate problem lies not with the managers of the JNRSC, of course, but with the taxpayer. In order to allay potential investors' fears about the burden of debt in the event of problems with disposing of it, the government agreed that it would meet the difference between proceeds of sales and the final debt figure. Even in 1988 that figure was expected to be over Y13,000bn. The new figure of Y20,000bn represents 4 per cent of Japan's gross

domestic product.
Given the dispute over the decision to spend a small fraction of that on the liquidation of the country's housing han companies, there might be some difficulty in winning popular consent for such an expen在 作 用图 医对 一起 医 知 知 知 是 服

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By Jacobs Herrich

But there is unlikely to be an alternative. Unlike the housing companies, there will be no other scapegoats able to take on the debt. With the selfimposed deadline for final set-tlement by next March looming, there will be yet more difficult political decisions to be made in the next year.

BJP faces hard task to muster majority

By Mark Nicholson in New Delhi

India's first Bharatiya Janata party (BJP) government took a ceremonial step towards power yesterday as Mr Atal Behari Vajpayee was aworn in as prime minister, along with 11 ministerial colleagues.

Mr Vajpayee is expected in the next few days to allot portfolios among his 11-member cabinet, which includes one woman, a Moslem, a Sikh and a member of the Shiv Sena party, the BJP's close Hindn

nationalist ally.

However, Mr Vajpayee faces a tougher next step in turning the BJP's status as the biggest single party after last week's elections into a parliamentary majority by May 31, the dead-line set by Mr Shankar Dayal Sharma, India's president. At present the party and its declared allies are more than 70 seats short of a majority.

To succeed, the BJP must change the pledged allegiance of several regional and secular parties which united this week under tha leadership of Mr HD Deve Gowda, the Janata Dal party chief minister of Karnataka state, to launch a rival bid to form Delbi's next government. Privately one BJP A team of five BJP leaders ment would pass laws to make strategist admitted the BJP has been trying to persuade it harder for the central gov-



ho knows? India's new BJP prime minister in enigmatic mood arriving at his office yesterday

had "taken a big risk". Mr Gowda's grouping claims tha support of 180 MPs as against 195 for the BJP and its allies. But both Congress, with 136 MPs, and India's communist parties have promised to

hack the group.

A team of five BJP leaders

regional parties from Tamil Nadu, Andhra Pradesh and Assam states, along with other smaller parties, to shift camps. Party strategists said they were offering to meet thesa parties' chief concerns by promising that a BJP government would pass laws to make

ernment to dismiss state administrations, while offering to alter the proportion of centrally collected taxes paid to

BJP officials also said they would "soft-pedal" the BJP's more controversial religiouspolicies, such as its call to build a Hindu temple on the site of the Babri Masjid mosque at Ayodhya, which Hindu zealots ransacked in

But should the party fail to win overt defections before May 31 there were indications it would try at least to engineer a successful vote of confiA party official quoted in the Times of India said the party would try to ensure "at least 30 MPs from bostile parties" were "absent" from the vote. "After that we will have at least three months to secure a majority,' be was quoted as saying.

Meanwhile, the defeated Congress party looked to be positioning itself to profit from the defeat of the BJP - which it hopes to belp secure - and from possible disintegration of the secular-regional party coalition which it believes might then soon follow.

A former Congress minister said be was confident the BJP would fail to win the support. of most regional parties, but suggested a secular-regional coalition government would prove too fractious to last. "They all know that even if they form a government after May 31, it will be very precari-

Congress leaders have been making the case to defected party members and leaders of the Janata Dal and other parties "which have no real differ-ences with us", that the only way to check tha "threat" of a BJP government would be by joining Congress in what he called "a grand re-alliance".

ASIA-PACIFIC NEWS DIGEST

Pressure grows to re-elect Ramos

Speculation on whether Philippines President Fidel Ramos might run for a second term intensified yesterday when his congressional supporters initiated moves to lift constitutional curbs on elected terms of office.

Mr Ramos, who under the 1987 constitution is permitted

only one six-year term, is due to relinquish office in two years. But his supporters are encouraging him to run again by moving to scrap the single-term clause. The proponents of a second Ramos term include 36 congressmen who yesterday filed a bill to turn the legislature into a constituent assembly with powers to change the 1987 charter. His supporters have already sent questionnaires to 1m voters asking whether they approve a change in the constitution.

approve a change in the constitution.

Mr Ramos, 68, promised last year to put the issue on the "back burner" until the administration's economic reform programme was fully in place. But be stoked up speculation last week when he said he would be "good beyond 1998...in whatever capacity

Officials close to the president, including Mr Ruben Torres, executive secretary to the cabinet, yesterday declined to rule out the possibility of another Ramos term.

The change, which would require the electorate's approval of the electorate in a referendum or a majority vote in a constituent assembly, would almost certainly unleash controversy 24 years after President Mr Ferdinand Marcos, the late dictator, amended the constitution to perpetuate his hold

on power, the presidency.

Senator Juan Ponce Bnrile, who was President Marcos's defence secretary in 1972, this week reiterated his support for an amendment to the 1987 constitution. Mr Enrile and Mr Ramos, who were both prominent members of the late dictator's security apparatus, were instrumental in overthrowing President Mr Marcos in the 1966 "people power"

Japan sees fewer bankruptcies Fewer Japanese companies are going out of business, according to the latest monthly survey of bankruptcies issued

yesterday. In April, 1,159 companies closed, down nearly 11 per cent on April last year, the third monthly decrease in a row, said Teikoku Databank, an independent credit research

agency.

The decrease is broadly spread: manufacturing bankruptcies fell 11.7 per cent, while property company collapses were down a fifth and wholesalers by 17.6 per cent.

But Teikoku warned that the overall improvement is not as great as it appeared because bankruptcies were unusually oumerous in April 1995, when there was a chain reaction of collapses of banks and credit associations in the Kansai region, western Japan. Corporate collapses will continue to run at more than 1,000 a month, as they have done for more than a year, for some time, predicted the agency. "The trend has become stable," it said. Of the total, just over 60 per cent of company bankruptcies were the result of poor sales, a sign that the pace of recovery, while broadly spread, is as yet

these decisions were taken. On World Bank to fund sell-off

The World Bank will lend India \$350m to belp finance a novel power privatisation scheme in Orissa, one of the country's poorest states which has a serious shortage of electricity. Under the scheme, the state electricity board was replaced last month by two separate companies, Grid Corporation and Orissa Hydro Power, which are seeking private capital. The state has separately established a commission to regulate the

This is the first such scheme in India and has attracted attention as a possible model for other states. The Asian Development Bank and the UK's Overseas Development Administration will also contribute \$57m and \$110m respectively. The funds will be used to upgrade the industry, improving its eovironmental performance and securing a reliable supply of power. This should make the state more attractive to foreign investors, the bank said,

Higher tariffs and improved collection will promote electricity conservation and improve the power industry's financial performance. The sector, hitherto a chronic burden on Orissa's finances, will become a net contributor to tha state's budget from next year. Peter Montagnon, London

Taipei's OTC market soars

By Laura Tyson in Taipei

Ms Chang Yu-lian held her young son's hand as she bought shares listed in Taiwan's rocketing over-thecounter market yesterday. "My husband works so I take care of investments," she said, gesturing across the trading floor at scores of investors, mostly bousewives and elderly men, watching share price displays at Shi Tai Securities.

week as retail investors like Ms Chang, attracted by a flood of new listings and the entry of domestic mntual funds, have turned to the fledgling market. The OTC, which has 60 listed companies, closed on Wednesday at a record high of 184.22. Volume bit T\$7.68bn (US\$282m), up from a record T\$2.29bn oo May 11 and equal to about one-seveoth of that

soared to record highs this

Taiwan Stock Exchange. However, yesterday the mar-ket fell 9.89 points and volume halved to T\$3.84bn following an announcement by the Securities and Exchange Commisslon, the regulatory ageocy,

day's trading volume on the

would be put in place to prevent speculation. Details have oot been published yet. The OTC market has grown

swiftly since September when it was restructured in a bid to develop the market. Among various measures, trading was computerised and a new system was introduced requiring brokerages to pay only deposits to the OTC exchange before trading, rather than having to Volume and prices on pay for stocks in full at the time of purchase. Foreign institutional inves-

tors ware the first to see the potential of the revamped exchange, said Mr Yang Chaojung, the exchange's bead of trading operations. "Foreign investors have a longer-term perspective than local investors, so after we fixed some of the market's flaws, they came in. Recently a few local mutual funds have begun to invest. This has attracted the atteotion of ordinary [retail] investors," he said. Since last Sep-tember'a overhaul, when the OTC exchange listed fewer than 20 companies and trading volume was tiny, the exchange appears to bave established itself as a viable market.

Mao's cultural revolution still wrapped in a cloak of silence

simon Leys, author of Chinese Shadows, a polemic about the excesses of Mao's China, had some useful advice a few years ago for China-watchers. Analysts, he wrote, must "carefully note all anniversary celebrations, all the ooo-celebrations of anniversaries and the celebrations of non-anniversaries".

China yesterday indulged in the "noo-celebration" of one of its most controversial episodes. On May 16 1966 Mao Zedong launched what became known as the Great Proletarian Cultural Revolution with a direc-tive calling for an assault on "reactiooary bourgeois elements". That call usbered in a decade of turnult which brought China to the brink of civil war and forced the economy to its knees.

But 30 years later an official cloak of sileoce has been drawn across an event which ruptured millions of lives and whose aftershocks are still being felt. No remembrances of the Cul-tural Revolution were recorded in China's official media yes-

terday. But it chose to mark

the 400th anniversary of publi-

cation of a book on traditional

Chinese medicine by a pioneer-ing pharmacologist of the Ming dynasty. Academics have long beeo discouraged from discussing controversial contemporary events. Mr Zheng Yefu, a sociologist

and writer at China's Academy of Social Sciences, is one of those who believe public discussion would be useful. "If we had an open process of historical criticism, and bere I am oot talking about violent attacks

excesses have also come to nought. Mr Ba. who is in his 90s, has long advocated estab-lishmeot of a "Cultural Revolu-tion Museum", arguing that "it is extremely important that we build this museum, for only by remembering the past can we Chioese officials maintain

such as Ba Jin to have a per-

manent memorial erected to

the Cultural Revolution's

Thirty years on, its anniversary is a non-event, writes Tony Walker

deeper understanding of what serve oo useful purpose and happened," he says. "But now, might be "destabilising". They not only ia it impossible to have a public discussion of Mao's historical deeds, it's virtually impossible to publish academic research about the Cultural Revolution period.

"Failure to address the past has serious consequences for the future... If you can't make a correct judgment or analysis about the past, how can you make choices about the

future?

on Mao, people would have a that reopening debate would argue the issue was dealt with definitively in the review of party history published in 1981. That document blamed Mao for "gross mistakes" but found his contributions to the revolution

> do, they tend to speak ellipti-cally in the knowledge that the years of chaos were far from

far outweighed his errors. China's leaders make infre-quent references to the cul-tural revolution and when they

the other, we must recognise that many of the young people benefited through their struggle in the countryside." This was a reference to the practice of seoding millions of urban youth to "rusticete"

Premier Li Peng said in Feb-

ruary that while "tragedies had happened in this period, we must treat this part of our

history with the correct per-

"On one hand," he added, "we must understand the his-toric background behind why

with peasants in rural areas.
While there is little disagreement among Chinese that the cultural revolution was an unmitigated disaster, there are many who argue some good may have come of it, if only by way of negative example. Lin Binyan, the dissident journalist who left China for the US in 1988, wrote in a recent News-week article that "most Chinese would probably agree that the reforms that began in 1979 under Deng Xiaoping would oever have taken place with-

Editorial comment, Page 19

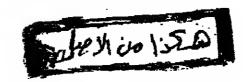
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The 'mad cow' crisis World Health Organisation experts urge worldwide surveillance of new CJD variant

More WHO research urged on disease link

Hargreaves in London and Frances Williams in Geneva

International experts and public health officials said vesterday that more research was needed to establish whether there was a link between "mad cow" disease and the recently ldentified new variant of Creutzfeldt-

lacob disease in humans.

Speaking after a three-day meeting at the World Health Organisation to review the available evidence, Dr Joe Gihbs, the US co-chairman, said there was "no direct evidence suggesting a direct link" between the animal and human diseases. However, a link remained a "possibility".

The experts have asked the WHO to set up a worldwide surveillance sys-tem for CJD. Dr Gibbs said 11 cases of the CJD variant bad been identified in

here has heen much bemusement in Brussels

about the way the Brit-

ish government has handled the beef crisis so far.

in particular, the role played

by John Major, the prime

minister, has left many EU

officials and diplomats at times

incredulous, sometimes furious

There is still disbelief in

Brussels at the way the British

government failed to anticipate

tbe uproar that followed its

announcement two months ago

that "mad cow disease" could

he linked to a fatal buman

destroyed an industry," is the

way one EU official puts it.

"Dramatic yes, hut also incom-prehensible. Wby dldn't tbe

Brussels

Notebook :

By Caroline Southey

prime minister address the

nation on television? A deter-

mined statement that every-

thing would be done to eradicate the disease would have calmed nerves everywhere."

But that initial error of judg-ment was to be followed by

many more. There was that

telephone call hy Major to Jac-

EU would impose a worldwide

really was quite something".

in the words of one EU official,

of state a few days later.

ban on British beef. According

"Two short sentences

and often frustrated.

brain disease.

Animal welfare groups criticised the move hy Tesco, the leading food retailer, to put ostrich meat on sale yesterday at 300 of its stores nation-wide. Compassion in World Farming (CIWF) said the supermarket chain was "lighting the tonch paper of a potential animal welfare disaster." Deborah Hargreaves writes.

there were no ohvious common fac-

Meanwhile the UK government yesterday quelled talk of retaliatory mea-sures over the European Union's beef export ban, amid rising hopes that the ban would be partially lifted at Monday's meeting of agriculture ministers

Mr John Major, prime minister, said

should encourage consumers to try ostrich. However, at £7.99 (\$12.14) for two steaks, it is not cheap. CIWF said that, although Tesco is

buying its ostrich meat from the US, it is likely to encourage ostrich farming in the UK. The group considers

isters would agree to lift the export restrictions on gelatine, tallow and

Yesterday the cabinet backed the patient approach taken hy Mr Doug-las Hogg, agriculture minister, who said he believed his negotiations were beginning to yield results.

The cabinet did not discuss possible contingency plans in the event of the ban not being lifted on Monday,

Tesco believes the crisis over BSE the farming of ostriches to be cruel and a growing taste for exotic foods "After all, ostriches are essentially "After all, ostriches are essentially wild birds that are easily (rightened and difficult to handle," it said. Tesco said its birds were reared to very high standards in the US and were culled to specifications in lina with the US authorities and the European

> bers of the governing Conservative party - including Mr Brian Mawhinney, the party chairman - that some form of retaliation could be popular

"There was no banging the drum," said one senior government official. "None of the people who want us to go to war on this issue said a thing." Mr Malcolm Rifkind, foreign secretary, yesterday hinted that Britain ing campaign to mobilise public opin-ion in favour of British beef, although Downing Street said later that plans UK NEWS DIGEST

employment to about 1,300.

factor later this year.

the level of prices at the start of 1987,

US microchip

plant to expand

National Semiconductor, the US microchip maker, yesterday

unveiled a plan to upgrade its only European semiconductor plant – at Greenock in Scotland. It will invest an initial \$50m

in the coming year which it anticipates will comprise the first

phase of a \$270m investment over the next three years. Full implementation of the plan depends on continuing support

from the parent company in California and on assistance from the UK government, said Mr Bruce Diamond, the plant's

The Greenock plant supplies analogue chips for use in

products such as cars, computers and TV and audio systems. Mr Gerry Edwards, operations director, said that although the

world market for microchips was currently flat, an upturn was

expected by the end of the year.

The \$50m investment at the 350,000 sq ft Greenock plant,

which has been operating for 25 years, will not create any

extra jobs in addition to the 1,900 strong workforce. No govern-ment financial assistance is currently heing sought.

Scotland's electronics industry employs about 55,000 peop

mostly in US and Japanese-owned plants. Motorola of the US

employs about 3,000 people in two semiconductor plants where a £250m (\$380m) investment was recently completed, and NEC

of Japan is currently huilding a new £530m plant, raising

Inflation data lift for consumers

The cost of living for tax payers fell sharply last month, as the last Budget's tax cuts took effect in April and mortgages became cheaper. The drop left the annual inflation rate in the

tax and prices index - which includes tax payments, services

and goods · showing the sharpest monthly improvement for 10

Years.
The improvement should boost consumer speeding power

particularly since wages are now rising faster than prices.

This will be welcome news for Conservative politicians, who

are pinning their election hopes on return of the "feel good"

However, other elements of the inflation data were les

comforting for the government, which made no progress in

moving towards its own inflation target. Measured overall, the

Office for National Statistics said that the retail prices index, which excludes taxes, was 152.6 in April, with 100 representing

This left the annual inflation rate at 24 per cent - sharply

lower than the previous month's rate of 2.7 per cent, and the

best figure for 18 months. But the underlying rate of inflation

- which excludes mortgage interest payments - was 2.9 per

The difference in the two trends arose because of improvements in mortgage costs due to previous changes in home loan interest relief and lower interest rates.

Finance directors at Britain's top companies think informal talks with analysts and preliminary, interim, and final results announcements are far more important in communicating

The FDs, representing 50 per cent of the value of the FTSE 100 companies, believe informal communication with the City helps underpin a "no surprises" culture in which the share price is protected by disclosing good and bad news.

But Mr Richard Barker, the academic who interviewed 40

FDs at top companies, believes the report and accounts are

valued as helping to underpin the credibility of financial

information. "It is the dog that doesn't bark," he said.

Mr Barker said that his research surprisingly reveals that

FDs hold "leading analysts" in high regard and that as a

whole the City is not seen as short-termist. FDs believe shares

Jersey investment funds record

The total value of investment funds based in Jersey rose by 14

per cent during the first quarter of this year. The £3.4bn (\$5.16bn) increase was achieved through a net inflow of £1.4bn

additional monies and a £2hn growth in the value of the funds

themselves, thanks mainly to rising equity markets. The total

of the 310 funds based in the island was a record £27.8bn at the

end of March, which represents a 32 per cent increase over the

are fairly accurately valued as a result.

Gillian Tett, Economics Correspondent

Jim Kelly, Accountancy Correspondent

cent, unchanged from the previous three months.

Annual report a 'back-up'

with the City than the annual report and accounts.

James Burton, Edinburol

were not well developed.

Britain believes it can secure enough support to secure an easing of the ban on Monday, despite the apparently implacable opposition of Germany, Austria and Greece.

Speaking in a Commons debate on the Common Agricultural Policy, Mr Tony Baldry, junior agriculture minister, said he was drawing up a scheme of advance payments to help specialist beef farmers whose cattle were caught in the slaughter queue.

Last night Mr Hogg met supermar ket chiefs to talk about the BSE crisis as well as their decision to boycott slaughterhouses that were operating the government's cuil. One or two plants could drop out of the cull but others would sten in an official said

Premier's behaviour baffles and astounds Prices of lamb and pork leap in shops

The price of heef sold in British shops hardly fell in the past month in spite of the "mad cow" scare, our Economics Correspondent writes. But prices of lamb and pork surged, and poultry edged upwards. The impact of the beef scare was to push the overall inflation rate upwards

hy some 0.06 percentage points. The trends, revealed in offi-cial data yesterday, may surprise some farmers in light of the apparent collapse in beef demand at the start of the scare. But the Office for National Statistics said the price profile over the month suggested that, while shop prices had fallen sharply immediatedly after the scare, they rehounded fairly soon afterwards.

In early April the prices fell sharply, according to the industry. However, by April 16 - the time of the next survey the index had rebounded to 134.8. This was 2.5 per cent lower than in the previous than in the same period in

The office collects Its price data on the 16th of each month. When it collected its data in March, shortly before the beef scare, beef prices were running at an index level of 138.2 with 100 representing the level at the start

But in spite of the modest scale of the beef price fall, the shops took advantage of the scare to push up other meat prices. Home-killed lamb prices rose nearly 17 per cent in the month, and were 20 per cent higher than a year hefore. Meanwhile pork prices were 10 per cent higher and 26 per cent up on last April.

flow and staff. Also, they no

longer need professional trad-

ers to telephone market mak-

ers trying to place a customer's order. "They can use relatively

junior staff without trading

of 1987.

LABOUR'S DOUBLE pened in the meeting at all," Eyebrows were also raised at the summit on nuclear security in Moscow nearly three weeks later, where Major called the top hrass", including Chancellor Helmut Kohl and French President Jacques Chirac, to a meeting at midnight in the British residency on the

The EU official said: "It is admittedly a heautiful residence. But to call them in at that level at that time of night for that sort of issue was unbelievable. What could they But the greatest frustration has been London's dogged

soon as Major left the room he told the press the ban would be

lifted the following Monday. It didn't reflect what had hap-

the EU official said.

Moscow river.

determination that the EU must agree to lift the ban hefore it will take drastic measures to reduce incidence of

"We said all along - don't make the link. It will only be negative. But it has been the hlind spot since the beginning," the EU official said. "It is as if Britain is saying: 'We will do you a favour (by implementing certain measures) if you are nice to us'. It has infuriated people. After all we didn't create the problem. And we are going to pay for it."

ques Santer, president of the European Commission, on the night it became clear that the vidence that "linkage" is still playing a part in Britain's approach emerged this week when EU details of the government's plan to cull cattle with BSE. "yelling at Santer. Shouting. It The only possible explanation The view that Major "seemed somehow to have lost control", that it remains unsighted is that there is a cabinet struggle over tabling it. Some are arguing it should be held back was further fuelled by the prime minister's behaviour at until the ban is eased," an EU the Turin summit of EU heads

diplomat said.

"In Turin there was a good EU officials helieve that "linkage" has played into the discussion with all the leaders hands of the anti-Europeans in present. Everybody accepted the cahinet. "We have been the need for solidarity. But as

Exporters in the International Meat Trade Association have borrowed a poster idea used in the last general election campaign by the governing Conservative party against its Labour rivals. The top poster above was used by the Conservatives to illustrate what they said would be blows inflicted on the electionate by a Labour government. The Conservatives won the election. The bottom poster is being used by exporters to illustrate what they claim are the effects of the beef policy of Mr Douglas Hogg, the present Conservative agriculture minister. The association is now threatening a exporters which have lost business because of the beef crisis.

HOGG'S DOUBLE

advising the government just to shut up. To get on with taking the necessary remedies. But some seemed to think it was politically more profitable to have a row. The issue became a political foothall," the EU

official said. other aspect of the crisis -

picture of Europe that has been portrayed is horrible. It is British including the cost which could run into billions of Ecus - that has angered Brussels. One EU official helieves "something has been unleashed in Britain. There is no doubt this will

British relations". He added: "The images and It is that more than any language used in the British media bave been ugly. The

reminiscent of wartime." On a longer term view the present crisis merely mirrors Britain's historically awkward leave a deep scar in European/

relationship with Europe. Nevertheless, as one diplomat says, relations between the two are "entering dangerous territory".

tively high costs in relation to

processing and settling retail

past 12 months. Of the new money invested during the first quarter £330m has gone into equity funds, including £170m in far eastern funds and £70m in European. Emerging markets in India, the eastern bloc and South America have also proved popular with fund managers, according to Mr John Pallot of Jersey's Financial Services Department. During the same period the amount invested by Jersey fund managers in the US fell by £100m, a move that Mr Jonathan Overland, of the Jersey Fund Manag ers Association, sees as a correction on the back of some very

Roval Ordnance wins Army order

Royal Ordnance, the ammunition and gunnery subsidiary of British Aerospace, has been awarded an £80m (\$121.6m) con-tract to supply mortar ammunition to the British Army. The contract helps secure around 400 jobs at the company's factories. The deal was won by RO against international and domestic competition. RO has sold its mortar launcher to 20 countries worldwide, including the US, and would have had difficulty in continuing to win export orders if its domestic customer had defected. Bernard Gray. Defence Correspondent

Worry over literacy mounts

Concern mounted over standards of literacy yesterday, as a survey revealed thet three in five teachers claimed to have received no in-service training in how to teach children to read and write.

The survey, carried out by the Basic Skills Agency, a government body, follows surveys by the same body suggesting that up to 20 per cent of young adults had insufficient basic skills in literacy and numeracy. The survey also found that school children were worried about their literacy, with 40 per cent saying they had difficulties with spelling and punctua-

official curbs on **EU** regulations

The government yesterday sought to answer the complaints of husiness and Euro-sceptic MPs by issuing guidelines to ensure that Whitehall did not "over-implement" European regulations. Mr Roger Freeman, public service minister, set out guide-

lines called "Implementing European Law" designed "to assist ministers and officials in avoiding any over-implementation of EC legisla-Business organisations,

which bave consistently claimed that over-zealous inter-pretation of EU directives by UK officials has placed an additional hurden on UK compa-nies, gave the government initiative a warm welcome. The decision follows vigorous campaigning to end the

industry claims is particularly harmful to small businesses. Separately, senior members of the governing Conservative party will today put the government under further pressure to distance itself from rules imposed by Brussels, by demanding that most EU directives should not bave legal

so-called "gold-plating", which

force in the UK. Tha European Research Group, which includes senior Tories, is expected to make the proposal as part of a programme of suggested reforms of the European Court of Jus-

At a private conference to be opened by Mr Michael Howard, the home secretary, the group of Conservative MPs is likely to agree that most EU direc-

o<mark>ng kang alaman, m</mark>alakan da

tives should no longer be deemed to have direct effect on the UK. freeing national courts from their ohligation to apply directives.

Yesterday Mr Freeman, responsible for the govern-ment's deregulation initiative, reasserted the UK's commitment "to implement EC legislation in a way that fully meets our legal obligations". However, he has developed a checklist so that new regulations impose "the least possible burden on husiness and others affected". The checkllat includes

requirements on ministries to ensure that the directive is not covered hy existing domestic law, that the substantive requirements are not elaborated on hy officials, that the monitoring authority is clearly dentified and that the minimum necessary sanctions are involved.

Mr Peter Agar, deputy directorgeneral of the Confed-eration of British industry. Britain's largest employers' lohhy, emphasised that husiness would he anxious to ensure that the proposed checklist would be effective.

Mr Tim Melville-Ross, directorgeneral of the Institute of Directors, said the move demonstrated that the govern-ment was listening to the concerns of UK business and "by doing so they will help to reduce compliance costs and ensure that UK firms are com-peting on a level playing field". The IoD has repeatedly com-

plained to Mr Freeman that it was unfair small husinesses should have to comply with rules not enforced among their

Business welcomes | Marketmakers update retail service

By Norma Cohen in London

Two of the UK's largest marketmakers are launching automated trade execution services to bolster their share of the increasingly competitive retail stockhroking market. Barclays de Zoete Wedd, the investment banking division of Barclays Bank, and Smith

Brothers Brokers Services, the UK private client arm of UShased Merrill Lynch, have unveiled products designed to execute orders from stockbrokers at the flick of a switch. BZW, which for years has offered an automated system called TRADE, is relaunching its service so that customers may receive it through a Windows-based system using existing broker screens from ICV. the computer group, or Reu-

introduce its new MAX service from the end of June, also available through ICV screens. There is no charge for the clients. "We create profit out of order flow," explained Mr Derek Ricbes, managing director of Smiths Brothers Broker

Retail order execution in the UK has remained largely manual. unlike in the US where automated execution systems are commonplace. But with competition among private client stockbrokers forcing them to pare their charges, companies are looking for ways to improve profit margins.

Trades for private client stockbrokers accounted for 61 per cent of transactions on the London Stock Exchange in 1995. Smith Brothers and BZW dominate the market for retail orders, controlling over half of

bargains," said Mr Richard Balarkas, a director at BZW. "If you are going to be in the retail market then costs must absolutely be reduced. You have got to scoop up a lot of bargains to make the husiness pay," he said. The advent of -cost execution-only stockhrokers, which charge less than £10 per bargain for deals, bas increased pressure on marketmakers to keep their own costs down.

To guarantee high volumes. market makers need to make their dealing systems as cheap and user-friendly as possible. "People still love the telephone and will continue to do so for some period of time," said Mr

Automating the dealing process will cut costs for stockbroskills hut with excellent cus-tomer relations skills," he said. Both systems offer features allowing the stockhroker to ensure that the price the client receives is as good or better than the "best" price displayed on the stock exchange's Seaq electronic bulletin board. They also allow for nonstandard settlement periods.

Retail clients often have difficuity delivering securities or arranging payments within the standard five-day period after a bargain is struck. The systems will also link with Crest, the new automated sbare settlement system, and to the cli-

Mail staff may strike against \$15,200 basic wage

"Marketmakers have rela- kers by reducing the paper

By Andrew Bolger,

Britain may be beading for its first national postal strike for nearly a decade - but neither the management nor the union at the Royal Mail offshcot of the Post Office relisbes the prospect of an all-out confron-

The 140,000 members of the CWU postal workers' union started voting this week in a ballot on strike action, and the result will he announced on June 2. Mr Alan Johnson, the CWU's moderate joint geoeral secretary, has said a stoppage would be "almost inevitable" after the hreakdown of long negotiations about pay and the issue of teamworking, which requires more flexible working and sharing of responsibilities. The union and management have been discussing several

proposed changes for 11 months. Mr John Roberts, chief executive of the Post Office, insists: "It would he extraordinarily feolish for both sides if we did have a strike." The union's decision to hreak off negotiations reflects deep shop-floor resentment

over the way pay restraint in the public sector has held down settlements over a period when Royal Mail has achieved record profits. Royal Mail boasts that its productivity has grown by 32 per cent over the past 10 years - nearly five times more than the comparahle productivity gain in service

industries. But Mr Johnson says that 86 per cent of postmen and women still work a six-day, 41.5-hour week for a hasic annual wage of less than £10,000 (\$15,200). "Our members are at the end of their



tether," he says. "Royal Mail will hit record levels of profit, The politica of privatisation continue to loom large over the performance and quality again industry. Royal Mail has seen this year. The workforce an upsurge in disputes in the deserves a share of this suctwo years since the government abandoned its plans for

dence that reports of the possible national strike were followed hy the news last week that senior members of the governing Conservative party had revived plans to include a pledge to privatise the Post Office into their manifesto for the next general election.

strong recent rises.

The union and managers are aware of the potential dangers to their business of a long-term dispute. The last UK national postal strike - in 1988 - greatly increased the penetration of fax machines into office life. A recent French postal dispute also caused the permanent loss of a significant chunk of business to private and electronic competition. Mr Roberts said: Competition is now much greater. If we have a strike for a significant length of time, our customers have got so

much more choice.

the Post Office division which delivers 400,000 parcels a day. Along with Post Office Counters, the retail division, it would not be directly involved in a Royal Mail strike, but the onblic are unlikely to make such fine distinctions and managers expect that any national mail dispute would bave a bad effect on the parcels business.

One obvious potential victim of a strike could be Parcelforce,

Parcelforce is expected to break even this year after five years of successive losses, but a hig drop in traffic could threaten the jobs of the business's 12,000 employees.

The CWU commands considerable loyalty from its members and it is likely that the union will he given a mandate to call a strike. Post Office managers are bracing themselves for a vote to bold





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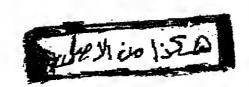
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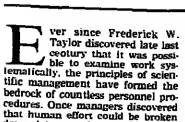


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Market . Water to Th_{e start}

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JOBS: Hard measures have their place but recognising quality takes softer skills



down into constituent parts, they began to measure it. Taylorism took personnel management away from the heart and into the head where it has remained ever since. In spite of the lure for many personnel managers of so-called soft issues - such as family friendly policies, equal opportunities, career development and stress counselling - the chief execu-tive and the finance director largely

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remain focused on hard realities. It seems that every time a company chief becomes attracted to the human side of buman resources, the spectre of the bottom line dis-

When that happens, employees once more become resources - or not even that. They may be what the hyperbole describes as assets but what the profit and loss account suggests are liabilities. So when a human resource head is saying peo-ple are the organisation's greatest assets, he conceals an unwritten message which says: "But, potentially, they are also our higgest lia-

It sometimes seems that, if people

Bringing out the best in Joe DiMaggio

very happy and, of course, redun-dant. But companies still need people and, in spite of the trend towards the decision-making worker, they still need other people to run them, pay them and measure The measurers seem husier than

ever. Today they are benchmarking. It is a trendy name for comparing things, be it processes in one organisation with those in another, or processes within a company.
Once you start benchmarking, it

ome obsessive, a science with a fascination all of its own Ask sports enthusiasts. Statistical comparisons have defined performance in cricket and baseball for If you look at the bald statistics of

baseball - most hits in a career, most home runs or most consecutive hits - you find some great players but you have to use more subtle measures to sift out the greatest player of them all.

Joe DiMaggio featured in none of the above feats but he made a hit in a record 56 consecutive games for New York Yankees, a measure of consistency of excellence that no-one has come close to equalling. DiMaggio didn't hit because of a

performance bonus or because of his benefits package or because he was looking after his pension. He did it because be was good at it. All the benchmarking in the world merely shows that no-one else has managed to match him.

Today, the sports statistics are moving tolo other areas. In socrer we are told how many corners are conceded, how much possession has been cnjoyed, how many fouls, how many shots on goal. Eric Cantona hardly touched the ball in 90 minutes of a dreary English FA Cup final on Saturday.

But those touches included two deft flicks, a jinking run and a marvellous goal that won the match Had he heen henchmarked for effort, his place might have been taken by someone on the substitute's bench.

Some human resource departments measure the average length of time it takes to fill vacancies. look at the proportion of vacancies filled internally and the average time spent in a job. But these measures do not look at the effective-

ness of the individual in the job. Some apportion training days across the board but do not assess individual needs.

Karen Moloney, a psychologist and partner with Moloney & Gealy, which advises companies on performance measuring, says that one danger of measuring is that, once the results are known and standards set, employees tend to con-centrate their efforts on the mea-

"You find that what gets measured gets done and that what gets rewarded gets done," she said, adding that, while the hard measure may have its place if a husiness knows why it needs the measure, there is also merit in looking at soft measures such as the use of employee satisfaction questionnaires to assess workforce

he found it was possible to measure subjectivity when ing aesthetic ability. "If you get a group of art experts, you find there is a high correlation about what they agree is good art and what is bad art," she said.

Measures on these lines are used by First Direct, the telephone bank. is not simply interested in telephone answering rates even though call rates are logged. It needs to know that telephone inquiries are dealt with effectively and sympathetically. Calls are monitored to assess tone of voice and response so that the human touch does not go missing. It is looking for quality of

What sense is there in imposing crude answering quotas on people when part of their joh may involve giving odvice or performing a spe-cial service? Last year to India, I stayed at the Taj Mahal hotel in Bombay, I arrived on the Sunday evening with not one appointment for the next day but just one or two names I had gleaned from research.
I asked the hotel telephonist if

bers hut connected me with them and, within half an hour, I had six appointments for the day. You emember that kind of service. It is why I tell people that the Taj

she knew the numbers of any of the

names. She not only found the num-

Mahal is a great hotel. Benchmark-ing may well bave an important role but, as Moloney would attest, it

coast of India. My cabin steward said he was paid 10,000 rupees a month fabout \$190) and worked the equivalent of seven 10-hour shifts a week for nine months. He gets three months unpaid leave to spend with his family in Goa. The pay is paltry by UK standards but what is the alternative for the thousands of Goans who crew the world's cruise liners?

Crewing levels were the subject of some discussion although most of personnel managers at the confer-ence appeared to be too occupled with their roles in corporate downsizing programmes, usually in the name of restructuring or re-engi

neering.
One of them confessed, quite openly from the floor of the conference: "I did it once. I did it a second time but, when I was asked to perform the exercise a third time, I went myself. I couldn't take any

ow Stephen Roach, a leading economist with Morgan Stanley in the US tells us he has had second thoughts after propounding the theories of downsizing for sev eral years. It is not the first reversal of a management theory. Cutting staff to create profit is easy but few worthwhile profits were ever earned

Richard Donkin

Financial Analyst

Multinational Investment Group

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Moloney was among 300 dele-gates, speakers and exhibitors con-

fined last weekend on the P&O cruise liner M V Victoria which sailed out of Southampton with no

particular destination and with no

other aim than to provide a conviv-

ial forum for discussion on HRM

issues. Delegates were individually

invited and did not pay for their

Exhibiting husinesses, however,

paid something like £12,500 for a

team of two to set up stall in one of

the lounges. The combination of a captive audience, a location out of

mobile telephone range and a com-

puterised appointments system was

designed to give sellers the chance to corner the sort of people who

would take the decisions over buy

ing their services. The concept has

heen developed by Richmond

Events, based in Richmond, Surrey.

hut this was the first time it had

applied the melbod to human

tions seriously. The meals ran to six

courses and the crew outnumbered the delegates. It included some 200

staff recruited from Goa on the west

The on-boat service took its tradi-

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Please send full cv, stating salary, ref FS605A3, to NBS, 10 Arthur Street, London EC4R 9AY



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Capital Markets Research **Client Advisory**

J.P. Morgan Investment Management Inc. (JPMIM) in London is the international investment arm of J.P. Morgan & Co. Incorporated. With \$157 billion under management, it is one of the premier investment management bouses in the world. These assets are managed in a wide range of funds, domiciled throughout Europe, which invest in various financial instrumeots including US and international equities, bonds, money market and derivative instrumeors.

J.P. Morgan Investment Management has a client servicing position available in its Capital Markets Research group. The position entails conducting quantitative portfolio analysis and problem solving on behalf of investment clients and portfolio managers.

Specific responsibilioes within this high profile role will include:

- Asset/Liability analysis
- Asset allocation studies
- Examinations of foreign curreccy exposures

Applicants should be qualified actuaries, with work experience within the pension or investment divisions of a life insurance company or consultancy firm. Practical experience bandling asset allocation and liability analyses is occessary, as is a record of appreoceship that has culminated in direct client contact and responsibility.

Computer literacy is an integral part of this role. Successful individuals will be familiar with quantitative software, and will preferably possess advanced programming language skills. A strong interest in the behaviour of capital marketa is a must. Longer term, individuals will have opportunioes to pursue career paths towards portfolio management or marketing.

This position offers a generous salary and benefits package together with excellent career prospects within one of the leading international banks. J. P. Morgan Investment Management Inc. is an equal opportunity employer. Interested applicants should write with their CV, in confidence, quoting reference oo. P30190 to Martin Symon at

Jonathan Wren & Co. Ltd., No 1 New Street, London EC2M 4TP, Tcl. 0171 623 1266 Fax. 0171 626 5259.

JPMorgan

Attractive salary and benefits

OPPORTUNITY IN SWITZERLAND

An international institution located in Basi Switzerland, with approximately 470 members of staff from 26 countries is looking for a

PERSONNEL OFFICER

The successful candidate will join a small team and carry out a wide range of personnel-related tasks, in particular in the areas of recruitment and training and

Candidates should be educated to university level, preferably in Business Administration or Economics, and must have 3-5 years' experience in human resource management. Experience in the area of training and development is desirable. Computer literacy is essential and the ability to use personnel information systems would be an advantage. Candidates must have an excellent knowledge of English and, in addition to a good command of German, knowledge of French, Italian or Spanish would be an advantage.

The Bank offers attractive conditions of employment in an international atmosphere and competitive welfare

Candidates should send their application to the Personnel Section. Bank for International Settlements, 4002 Basic, Switzerland, quoting reference number

BANK FOR INTERNATIONAL SETTLEMENTS

GLOBAL RESEARCH A Division of Euromoney Publications PLC

Global Research is a market research firm specialising in the wholesale financial sector. We are currently seeking two additional people for the market research and sales The market researcher will have experience of queationnaire

design, client interface and report writing. There will also be ment with freelance researchers. The sales position requires experience in the financial

services sector. Face-to-face and telephooe selling will take place at senior level within the UK and overseas. Salaries dependent upon experience.

Please send CV to: Justyn Trenner, Head of Global Research, Fax: +44 171 779 8769

FIXED INCOME SALES

An established fixed income house with blue chip shareholders and offices in London, New York, Zurich, Geneva, Frankfurt and Copenhagen is seeking to recruit fixed income

The successful candidates will be self motivated and will have proven track records with at least 5 years' experience and tranaportable revenues. A working knowledge of Franch German or Spanish would be an advantage.

To apply, please write with your full CV to Box A5848, Financial Times, One Southwark Bridge, London SE1 9HL

HENDERSON

Pacific/Emerging Market Strategist

City

Superb opportunity to join a successful and well respected research team within a leading lemational investment management house.

- Henderson is a major independent international fund management house and a market leader in investment in a number of specialist areas. After a period of consistent growth in funds invested overseas, we wish to recruit a bright, confident and resourceful individual to join our international research team.
- Reporting to the Head of Research, you will be responsible for advising the Pacific and Emerging Markets investment management teams about economic, market and currency issues within these regions.
- You will have a good degree with an economics bias and have had two to three years experience within the investment management sector. Originality and resilience are essential attributes and some experience of the Emerging Markets or Pacific regions is desirable but not essential.

FX Dealer, Dublin

Our Client, a Market Leader in the Investment Banking and Innovative Product Development field. invites applications for the position of FX Dealer in the Dublin International Financial Services Sector.

Only Candidates who meet the following criteria will be considered for this very exceptional opportunity:

 3-5 years unequivocally profitable FX/Trading experience in spot and Forward Markets in the major currencles

Incontrovertibly numerate, Innovative, dynamic and disciplined

 Superb team-playing, interpersonal and communication skills Mid-twenties to early thirties

Please send your detailed Curriculum Vitae to: ETC Consult, Dealing Room Recruitment Specialists

17 Leeson Park, Dublin 6

quoting Ref. No. PR314 to reach us by Friday, May 31st 1996.

INTERNATIONAL ASSET FINANCE SHIPPING AIRCRAFT

markets desirable.

This specialist structured finance team seek an expert io ship finaoce currently working withio a leading bank or arranger. Candidates will be graduates aged 30/40 years with sound rax/structuring skills, who can close high value cross horder shipping transactions. Secior contacts within the European, US or Far East

Neg £50-£70,000 + bonus + benefits.

Our client is a leader in providing innovative,

highly structured tax based solutions to clients financial needs and will require sound analysis/structuring skills. Neg £50-£70,000 + boms + benefits. Please telephone BRIAN GOOCH or send a detailed CV.

A banker/packager aged 32/36 years, able to

source, structure and close high-value

tax based cross border leasing transactions

with parocular expensise in JLLs, FSCs, etc.

Leaving Asset Finance Specialists Warnford Court, Phrogenorion St. London i C2N 2 W.

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144 0172 APPOINTMEN. WANTED

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Excellent salary plus bonus and benefits London area

Our client, a major financial services organisation, is looking to recruit an investment manager. investment analyst to work within its rapidly expanding value investment activity. Familiar with high yield/low liquidity investments, the candidate will be capable of evaluating opportunities and making investment decisions, supporting and eventually taking over the management of a significant investment portfolio.

Aged between 26-32, the successful candidate will possess at least two years' company, asset valuation experience. This may have been acquired in corporate finance, venture capital, stockbroking or banking. He/she will have a university degree, and will in addition possess an MBA degree or will have qualified as a chartered accountant or lawyer. The ability to speak at least one other Continental European or Nordic language would be an

To apply, please send your CV in confidence to Peter Watts, Austin Knight UK Limited, Kninhway House, 20 Soho Square, London WIA 1DS. Fax 0171 439 5744. Please quote reference number: A 1096

c-mail: pw@austinknight.co.uk

CompuServe:101511,2562

Austin Knight

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Head of Trade Finance

Moscow Based

Full Expatriate Package

Our client, a major international bank with an extensive European office octwork, including offices in Central/Eastern Europe, Russia and the Ukraine is seeking to hire a Head of Trade Finance for it's fully licensed Moscow office. The office focuses on short-term lending, export and trade finance, treasury operations, and services in the field of account nanagement and payment transactions.

- To develop and manage the department responsible for Documentary Business/Trade Finance/Forfaiting/
- Import and Pre-export Finance.
- Identify and develop potential corporate clients in respect of such capabilities.
 To market the bank's financial services to corporate
- clients and manage product innovations. Be responsible for domestic and international
- To manage and train a team of local Russian staff.
- The Candidate
- · Will have an excellent academic background-
- Up to 5 years relevant experience. Excellent and proven managerial skills.
 Outstanding relationship building and negotiation skills.
- Possess an entrepreneurial attitude Product knowledge of Commodity Trade Finance
- would be advantageous.

 Fluency in English and/or German essential. Knowledge of Russian would be an advantage.

If you feel you meet the aforementioned criteria and are keen to become involved in a dynamic working environment, please contact Sarah Lee on 0171 831 2000 or write to her at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 0171 405 9649, quoting reference number 285426.

Michael Page City

TECHNOLOGY RESEARCH **ANALYST**

A challenging role with a leading player in Research

London

Our client, a prestigious US investment bank, is looking for a Research Analyst with a strong financial analysis and technology industry background. Reporting to a Managing Director, you will play a key role in all aspects of company and industry research and marketing. The successful candidate will liaise between European, US and Asian Research as well as Sales and Investment Banking. The following attributes are critical:

- Significant commercial exposure to the international financial community. preferably with investment banking experience and work experience in the
- computer industry. In depth understanding of technology

semi-conductors industry. Must have

Demonstrably superior expertise in the

technical industry understanding as well

· Degree and record of academic excellence.

as financial experience.

· High level of integrity together with excellent communication skills both oral and written and experience working in an interdisciplinary team environment.

The remuneration package tailored to the successful applicant will be competitive. To apply, please write enclosing a full CV to Alastair Lyon, Confidential Reply Handling Service, Ref. 431, Associates in Advertising. 5 St John's Lane, London EC1M 4BH. Applications will only be forwarded to this client, but please indicate any organisations

to which your details should not be sent.

Associates in Advertising

ANALYSTS - LATIN AMERICAN EQUITIES

Our Client is a major European investment bank with offices throughout the globe. Highly active in all areas of the equity markets, the firm has seen significant success and growth of its Latin American equity division in both the UK and USA and now seeks to appoint two high calibre analysts to focus on the Latin American banking and food sectors.

The successful candidates will join a large team of analysts and salespeople and be responsible for producing a top quality product to serve UK. Continental European and US clients. Reporting to the head of Larin American equity research, these individuals will have:

- Two years' experience of analysing the banking or food industry.
- Linguistic ability in Spanish and/or Portuguese.
- A strong team player approach.
- Degree level education and an accountancy qualification would be advantageous.

This is an excellent opportunity for professional, articulate and well-presented analysts to further their career in a challenging environment.

We would like to hear from individuals either currently covering the Latin American banking or food sectors, or alternatively with experience in these sectors who would be keen to swirch

An attractive compensation package will be offered to the successful candidates.

Please write to Ref: LA235, Miller Leake Advertising, 50 Harvey Road, Farnborough, Hampshire GU14 9TW. All applications will be treated in strictest confidence and forwarded to the consultant handling this assignment.

APPOINTMENTS **ADVERTISING**

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please contact: Toby Finden-Crofts +44 0171 873 3456

APPOINTMENTS WANTED

Equity Salesman with own high quality commissi business seeks fresh horizions. Other skills available to right house. Reply Box A5851. Financial Times, One Southwark Bridge, London SE1 9HL.

MONECOR (London) Ltd.

is seeking a

DERIVATIVES BROKER

Based in London, you must be a specialist in Japanese Markets. You must have 5 years experience in derivatives broking and be bilingual in English/Japanese.

Please write in confidence to: Monecor (London) Ltd., Human Resources, 4th Floor, Golding's House, Hay's Galleria, London SE1 2HB

Scope (formerly The Spastics Society) is the UK's largest charity working with disabled people. For over 40 years we have been providing help, advice and practical resources to people with cerebral palsy, their families and carers. Scope offers the support people need to take control of their lives.

Scope is developing its management teams and reorganising its structure to provide a more vibrant, coherent organisation which can enhance our ability to meet the needs of people who use our services. The main elements of these changes comprise a programme which is now known as 'Scope Towards 2005'.

The changes are also designed to achieve greater efficiency and an impropriet financial action. To efficiency and an improved financial position. To complete our new Executive Director group we are seeking to fill the following post.

Executive Director of Management Services

circa £54,000 plus lease car

An Executive Director is expected to demonstrate an awareness of the needs and aspirations of people with cerebral palsy, their families and carers and a commitment to further their cause. You must be committed to our mission and aim and bave a genuine desire to enhance, value and develop the coorribution of staff and volunteers. In particular you will have the ability to develop effective working relationships with our Trustees and Local Affiliated Groups. Your ability to think creatively about complex matters and undertake strategic planning activity are essential, rogether with excellent interpersonal skills. Your commitment to providing high quality responsive services to others together with a demonstrable ability to relate openly and honestly across all levels will

The Division contains Scope's finance, property and ne central purchasing and 15/11 function You will have a degree, equivalent level professional qualification or a proven ability to analyse and communicate at this level; a professional accountancy qualification; minimum of five years' successful senior management experience in finance and/or other support service functions (excluding human resources/personnel) and a demonstrable understanding of the main technical and professional aspects of financial management purchasing, the development of information technology and property management as they relate to the voluntary sector.

You will be committed to establishing customer-focused financial systems and resources for managers and staff. This will allow Scope to bring its financial affairs fully under control and achieve the optimum financia ourcome from our management of property and development of central purchasing and IT.

Fir an information pack lour application form can be made available in disk format nn request) (no CVs), contact Beryl Hammond, Scope, 12 Park Crescent, London W1N 4EQ. Tel: 0171-636 5020 ext. 303. Fax: 0171-436 2601. Closing date for return of cumpleted applications: 7th June 1996.

Working Towards Equality.

BANCO DE ESPAÑA

- TRANSLATOR -

The Spanish central bank is seeking to fill a vacancy for an English translator. Applicants' mother tongue should be English. Dutles will principally include the translation of economic and financial texts from Spanish Into English, the editing of texts in English and the occasiona station of texts into Spanish.

Candidates should meet the jollowing requirements.

- An university degree, ideally in Economics (or a related subject). A postgreduale diploma in translation would be an advantage.
- Several years' professional translation experience in the economic or financial field in international organisations.
- A perfect command of English and Spanish. Knowledge of niher European languages would be favourably viewed.

Candidates should submit their applications by September 6th 1996 Details of the selection process and application forms may be obtained

Centro de Formación del Banco de España Apartado de Correos nº 15 E-28080 Madrid - SPAIN Teleph.: (341) 338 68 31/32 - Fax: (341) 338 68 82

JAPANESE EQUITY AND DERIVATIVES BROKER "A Unique personal Challenge"

We are looking for candidates with a Degree having at least 5 years experience in broking in Japanese warrants, convertibles etc.

Knowledge of Japanese and English languages at

Degree level is imperative. Your application will be dealt in the stricles! confidence. Applicants should send a detailed CV in Stella Wollin at 3rd Finnr, 46 Albermarie Street, London W1X 3FE

PRODUCT DEVELOPMENT **MANAGER**

London

Our client, a prestiginus US investment bank, is looking for an experienced Product Development Manager to join a ginbal team developing new Asset Management products. Based in London, you will assume overall responsibility for sponsoring and supporting the launch of new business concepts and products - from initial research and cost/ benefit analyses to project managing implementation.

This will include working closely with our Global Product Development team, co-ordinating the launch activities of product management teams, liaising effectively with external service providers and building a Product Development group in Europe.

A proven track record of at least eight years in the financial services industry is essential, including substantial experience of researching and launching a successful variety of off-share bond, equity and money market funds. In addition, you will need a knowledgeable nverview of

business developments in Europe, the Americas and Asia, supported by incisive analytical skills, an alert, critical mind and outstanding verbal and written presentation

should also include a natural talent for authoritative leadership, the ability to focus on several projects simultaneously and an established network of international contacts.

Your strong project management expertise

Candidates must be fluent in English, and be ·educated to at least degree level.

The competitive remuneration package, tailored to the successful applicant, will reflect the seniority of this appointment. To apply, please write with full CV to: Alastair Lyon, Confidential Reply Handling Service, Ref. 427, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client. but please indicate any organisations to which your details should not be forwarded.



Global Business Analyst

Role

Business analyst focusing on numerous companies in various industries and sectors throughout the world with the aim of selecting a limited number of superior companies for investment.

Oualifications 3-5 years experience in corporate financial analysis; Evidence of exceptional intelligence and resourcefulness:

Passion for analyzing diverse businesses;

In-depth exposure to emerging markets (residence, education or work).

Location

Florida with extensive global travel, often in emerging countries.

Resumes & information relevant to above qualifications should be sent to PO Box 3060, Palm Beach, FL 33480 USA or faxed to (1-407) 835-0330



Caspian, the recently established emerging markets investment group, provides a wide range of investment banking, asset management, research and securities services through offices around the world. As the group is expanding Caspian is now looking for:

EXPERIENCED ANALYSTS

to cover the markets of Turkey, Poland, Hungary, The Czech Republic and Russia. Candidates should have strong experience in at least one of these markets, with

accounting qualifications and a

sectoral research background.

LATIN AMERICAN **EQUITY SALES PERSON**

to service our UK and European customer base. Candidates should have a minimum of four years experience of selling Latin American equities and a proven background in macroeconomic and fundamental company analysis.

Interested candidates should forward a detailed CV and covering letter to: Miss Tracey Causer, Caspian Securities, 199 Bishopsgate, London EC2M 3TY (STRICTLY NO AGENCIES)

polish financial markets

traders/analysts

Opportunity for two ambitious capital markets professionals to join the fast growing Pollsh subsidiary of a multi-national US financial trading business in Warsaw. We're looking for high energy, PC literate, ethical individuals with fluent (probably native)

warsaw

excellent package

international training

FARN WILLIAMS

written and spoken Polish and good English. Fixed Income Trader/Analyst

Equities Trader/Analyst

Graduate or MBA/CFA with 1-2 years plus experience in equity markets to take responsibility for leading the development of established proprietary equities trading in Poland. You will trade listed equities, MPP vouchers, NIFs & unquoted investments and monitor risk positions. The first year will be spent in London working with the international equities group. Ref: PEQ/0505

It's a fast growing business, with international career opportunities. It's also a meritocracy, not a bureaucracy - decision making responsibility and higher trading limits mean increased challenges and rewards.

Fam Williams Financial Markets Desk handles world-wide opportunities for internationally mobile capital markets professionals. Email: farn@netbenefit.co.uk (Preferred CV format Word 6.0). Visit our Web Jobs at http://www.fernwilliams.co.uk

Please send CV to Farn Williams, Diamond House, 37-38 Hatton Garden, London EC1N 8FW Tel; (44) 171 404 4089 Fax: (44) 171 404 4083

ACCOUNTANCY APPOINTMENTS

Ref: PFY/ 0506

Graduate or MBA with minimum 1-2 years financial markets

experience to develop directional and arbitrage proprietary

trading strategies for the Polish financial markets including

instruments. You will execute trades, monitor risk positions

soft currency trading, fixed income investments and new

and follow all relevant economic and political changes.

ECONOMISTS

LATIN AMERICA

are looking for two economists to join the editorial team covering Latin Ag as a writer and analyst on the region. The role involves editing and write reports. forecasts and risk ass gonal knowledge, you should have significant editorial expertise and a solid nackground in macroeconomies. Familiarity with the economies of Me Brazil and Argentina would be an advantage, as would experience of their financial markets. You must be compute clear and concise English, as well as having a good grounding in Spanish. A new junior position is also available. For this role you should have degree in economics, good writing skills, the ability to read Spanish and a en interest in the region

selits package including profit share, five we rance and a contributory pent

To apply, please send a letter and cv with details of your current non-EPA nationals, UK work permit status) to the address below. nd date for applications: Priday 24th May 1996.



SUSAN PHILLIPS, GROUP HE ADVISEE, THE ECONOMIST INTELLIGENCE UNIT,

DIRECTOR FINANCIAL CONTROL **MULTINATIONAL PLC**

WEST LONDON

Clearly recognised as a leader in its field of marketing services, our client is a customer focused, sales and marketing driveo organisation with a worldwide business employing over 800 people. The group is listed on the London and Paris stockmarkets.

The group's aim is to be the market leader in each of the sectors and business areas in which it participates, it has recently embarked upon a programme of improving the quality and structure of the management team and, as a result, a new position has emerged for a high calibre finance professional to join the group finance team.

Reporting direct to the Group Finance Director, this is a clear opportunity to drive the continuous improvement of fioancial and group reporting and key

responsibilities will include:

· the group's published annual and interim reports and financial press releases

co-ordination of overseas country Finance Directors and Controllers

group financial information system

 management reports internal financial controls

relationship with external auditors

The successful candidate will be a graduate qualified Chartered Accountant in his/her 40's, with demonstrable exposure to multinational corporations and at least

5 years post qualification experience, preferably within industry. Commercial

> ROBERT WALTERS ASSOCIATES

TO £100,000 PACKAGE awareness and a strong knowledge of UK GAAP are essential requirements, a second language would be useful.

To succeed in this fast moving environment, you will need to be able to demonstrate adaptability and flexibility to cope with the changing demands and priorities that the organisation will meet. In addition, you will have first rate communication skills and the ability to work with key personnel around the world.

If you believe you possess both the technical and personal qualities demanded, please write to Giles Daubeney or Simoo Moser, enclosing a current curriculum vitae, at Robert Walters Associates. 25 Bedford Street, London WC2E 9HP. Fax: 0171 915 8714. Internet: simon.moser@robertwalters.com

BUSINESS PLANNING MANAGER

Challenging Corporate Agenda

London

c.£40,000

bonus, car

Our client is a complex, international group operating in the leisure sector with a name respected by both

This role enjoys interaction at the most senior level within the group as part of a team tackling a broad and challenging corporate development agenda. Specific responsibilities include:

Management of the group's business and financial planning processes

Review and analysis of forecast and planned performance with development of possible future scenarios

 A wide variety of financially based analytical work and ad-hoc projects Presentation of the group's

internally and externally To respond to these wide ranging and challenging tasks you will be an Accountant or financially orientated MBA, whose strong financial background supports a high level of commercial awareness and well-

To work effectively both internally and externally, highly developed interpersonal, communication and presentation skills are pre-requisites. A pragmatic approach is essential in ensuring that key projects are completed within demanding timescales.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggen Bowers, 7-9 Bream's Buildings, Chancery Lanc, London EC4A IDY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/3422/FT.



Hoggett Bowers

EXECUTIVE SEARCH & SELECTION



Risk & Financial Control

International Banking Group

Excellent Package

City

Superb opportunity for talented professional to apply and manage risk and financial controls within this leading institution committed to international expansion.

THE COMPANY

 Well-resourced, diversified group. Offers full range of banking and financial services through global network.

Rapidly increasing coverage of markets and investment banking/securities products.

 Committed to improving operating, financial and front/back office performance. THE POSITION

◆ New role, primarily responsible for the development and implementation of risk, financial and regulatory Work closely with line management to identify and

QUALIFICATIONS ◆ Minimum five years' experience in financial/risk control preferably gained in banking or investment

support continuous business expansion.

· Bring rigorous approach to systems enhancement to

related company. Familiarity with SFA reporting and derivatives accounting essential. First-class analytical and commercial skills. Likely to

be ACA/ACCA qualified. Clear communicator. Must be able to add value. Enthusiastic team player.

Please send full cv, stating salary, ref FS60507, to NBS, 10 Arthur Street, London EC4R 9AY





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THE PSD GROUP

Finance Director

Budapest

EMI Music is a £2.2 billion turnover, global leader in the fast moving and dynamic music industry with some of the world's leading artists signed to its many and varied labels. Through continued growth and expansion, EMI has developed a strong presence in Eastern Europe, where it has a controlling interest in a joint venture company in Hungary.

As a result of an internal promotion, the Company now seeks to recruit a Finance Director for its Hungarian business. Reporting to the Managing Director and functionally to the CFO, EMI Europe, this person will manage the formulation of the business plan, budgeting cycle and management reporting to strict deadlines as well as being responsible for systems development. They will also be responsible for the provision of first class siness and financial analysis covering variance, forecasting and longer term objectives.

In addition, they will be expected to get heavily involved in the commercial aspects of the business including the evaluation of acquisition proposals, artist deals and capital expenditure.

£ Attractive Package

The successful candidate will be a qualified accountant or equivalent with about five years experience. They will oeed a good understanding of reporting to IAS requirements and be highly computer literate, preferably with experience of Lotus 123 and Excel. Personal requirements are as important as technical skills. These must include a high degree of commercial acumen and motivation, the ability to cope with pressure and excellent interpersonal skills which will include being nicate effectively in English and Hungarian. This role is characterised by long working hours and an interest in popular music would be an

This is an excellent opportunity to join a dynamic organisation with excellent career prospects. Interested applicants should send a comprehensive curriculum vitae, staring a daytime telephone oumber and current remuneration package, quoting reference 289580, in full confidence, to Hugh Everard, Director at

Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH, or fax + 44 (0) 171 404 6370.

Michael Page Eastern Europe

International Recruitment Consultants

Financial Controller

c.£75,000 + Share Options

Milton Keynes

£80.04%

£100.00

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Exciting opportunity for accomplished and ambitious finance professional with strong development potential to play full commercial role in growth and development of highly successful retail business.

THE BUSINESS The leading British retailer of consumer durable goods

through catalogue stores. Turnover exceeds £1.4 Recent expansion plans have included the opening of

further stores and the building of a new regional distribution centre. Now well positioned to take advantage of future growth and opportunities. Excellent prospects for enhanced profitability based on

further expansion of the chain, fresh sales initiatives and on strict cost management. THE POSITION

 Report to Finance Director. Provide financial planning services to senior management. Advise management on the financial impact of their decisions.

◆ Develop financial and appraisal systems which match profitability and growth requirements. Oversee implementation of a new integrated financial accounting system.

 Strong voice in development of strategic direction for the business. QUALIFICATIONS

 Bright, commetcially-minded finance professional. Aged 32-38, with excellent systems experience-

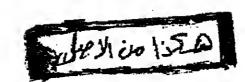
Qualified accountant. ◆ Taogible track record of success in financial management role in retailing, fast-moving consume goods or service sector. Mature, confident and results driven. Disciplined, articulate

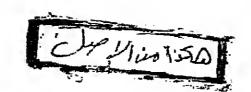
and tough. High potential for further development. Please send full cv, stating salary, ref Bi605A3, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB





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MARKETING ANALYST

North West based

graduation of the control of the con

£30,000 + Benefits

· Accocotact with 3 years' post qualification experience

Ability to work to deadlines in fast-moving environment

Our client is a major blue-chip organisation in the leisure industry with a turnover approaching £3bn. The company also has several overseas operations. Due to group progression, an exciting and challenging opportunity has arisen within the financial analysis area. Reporting in the business planning manager, you will be responsible for business appraisals, departmental forecasts, accruals and will have involvement in the planning and budgetary process. A highly commercial role, you will provide financial, analytical and business support to the financial managers and directors, as well as liaising with group specialisms. In order to successfully fill this demanding high profile role, you need to demonstrate the following qualities:

Excellent verbal and written communication skills

 Strong academic record; graduate, first time professional passes Large company background

Prospects are outstanding for the successful candidate.

To discuss this opportunity in total confidence, please cootact Lucy Blakemore on 0161 834 0618 quoting reference 41729. Alternatively send your CV to her at the address below.

FMS, Amethysi House, Spring Gardens Manchester M2 IEA. Tel: 0161 834 0618. Fax: 0161 832 9123. Email: 100621.2024@compuserve.com

We have offices in London.

Surmingham, Manchester and Lower





SPECIALIST FINANCE RECRUITMENT

c.£33,000 + Car + Benefits

Our client is a leading financial services company, gaining competitive advantage from the strength of its brand and innovative product development. An opportunity now exists for an ambitious individual who is looking for progression within a dynamic environment. With a key part to play in providing reviews of divisional performance and forecasts, you will have significant influence in enhancing senior management's understanding and use of financial and business related information for decision making. A leading role requiring the following skills:

SENIOR ANALYST

- Superior analytical capabilities to prepare, review and edit reports for the board of a blue chip company
- The ability to communicate effectively at the most senior level
- and with non-finance staff
- · A proven proactive approach combined with the drive to succeed in a fast changing organisation
- Confidence to challenge issues when necessary and take a flexible approach

You will be a qualified accountant tideally ACA) with a strong academic record and have at least two years post qualification experience, gained in a fast moving environment. The position offers excellent long-term prospects.

To discuss this opportunity in total confidence, please contact Richard Anson on 0171 405 4161. Alternatively send your CV to him at the address below.

FMS, S Bream's Buildings. Chancery Lane, London EC4A ICY. Tel: 0171 405 4161, Fax: 0171 430 1140. Email 100621.3024@comm We have offices in London Boungton, Manteuer and Leve





Director of Finance

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London

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- THE POSITION
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 Provide strong financial management whilst supporting operational and service directorates and controlling capital projects.

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Financial Controller - Group Operations **Major Pic**

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London

Key appointment to make a substantial impact on the operating performance of well-established business.

THE COMPANY

- Leading distributor of building materials, timber and timber products in both the UK and overseas. Turnover exceeds £1.2 billion.
- Strong commitment to expand the business in clearly defined markets and to generate increasing profits.

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- THE POSITION
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- Develop financial awareness and raise standards of financial management throughout the Group.
- · Ensure delivery of ambitious operating targets. Real opportunity to influence performance and growth
- QUALIFICATIONS ◆ Aged 35-42. Graduate qualified accountant, ideally
- with MBA, with excellent technical financial and management accounting skills.
- All-round business exposure in highly controlled covironment. Multibusiness unit and international
- Excellent people and communication skills, strong analytical ability, high energy and drive.

Please send full cv. stating salary, ref Bl605A4, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB





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multi-site environment is essential.

confident and assertive, yel diplomatic, communication skills to lead a small team and tiaise closely and productively with colleagues across the plobe. From ensuring deadlines are met without fail to upgrading entire systems, you will above all demonstrate the credentials to drive and manage change in a last-moving, large and complex organisation.

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Finance function of the Europe, Middle East and Africa Region. This area of business grew by more than 50% in 1995, achieving revenues of over \$200 million. Based in the Thames Valley and reporting to the European President, the successful candidate

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▲ Information technology systems development

▲ Legal and administrative matters

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Applicants should submit a curriculum vitae together with current salary details, quoting reference 29967, to: Peter Ward ACMA, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.

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excess of £250 million to this turnover, generated from three operating divisions

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The successful candidate will be a qualified accountant aged between 30 and 45 with at least three years relevant management experience gained in a similar role and environment ideally within the manufacturing sector. This is a high profile position with a major group and as such represents a genuine career opportunity for the most ambitious and able of candidates.

interested candidates should in the first instance send their CV together with details of their current salary, work and home telephone numbers to Jeff Price at

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"Outstanding career opportunities for ambitious European Finance Professionals to influence the strategic performance of a leading US Fortune 200 Corporation in Europe"

CAREER ENTRY POINTS - EUROPEAN FINANCE

c = 30,000

Excellent Benefits Package Relocation

Our client is a premier global consumer products corporation renowned for a portfolio of internationally branded goods. The Company is committed to a policy of shareholder value growth through core business development, brand innovation and product excellence. As part of a complete restructuring of its financial support processes and organisation within the high growth European region, opportunities now exist for ambitious professionals. Successful candidates would be based initially in the UK, with the potential for future relocation to other positions throughout Continental Europe.

The Corporation is looking for young, ambitious Financial Professionals who can demonstrate leadership qualities, technical excellence, commercial acumen and sensitive bot persuasive inter-personal skills.

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Interviews will be held in the UK and Continental Europe.



Assistant Controller

Construction and Property Development South London - to £35,000 plus car and benefits

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Reporting to, and working closely with the Financial Controller, this demanding position will be responsible for producing and evaluating financial and management reports and accounts to strict deadlines. Emphasis will be placed on criocal working capital management, financial analysis and project/site profitability.

Candidates roust be qualified accountants who can demonstrate excellent inter-personal skills and the ability to operate effectively in a head office team environment. The position commands an attractive remuneration package which includes a company car, contributory pension scheme and private health insurance.

Applicants should write enclosing a comprehensive CV which includes details of current remuneration and a dayrime telephone number, all of which will be treated in the strictest confidence, quoting reference number 1243, to Andrew Sales FCCA, Kidsons Impey Search & Selection Limited 29 Pall Mall, London SW1Y 5LP Fac: 0171 976 1116



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Finance Director

Budapest

EMI Music is a £2.2 billion turnover, global leader in the fast moving and dynamic tousic industry with some of the world's leading artists signed to its many and varied labels. Through continued growth and expansion, EMI has developed a strong presence in Eastern Europe, where it has a controlling interest in a joint venture company in Hungary.

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£ Attractive Package

The successful candidate will be a qualified accountant or equivalent with about five years experience. They will need a good understanding of reporting to IAS requirements and be highly computer literate, preferably with experience of Lorus 123 and Excel. Personal requirements are as important as technical skills. These must include a high degree of commercial acumen and motivation, the ability to cope with pressure and excellent interpersonal skills which will include being able to communicate effectively in English and Hungarian. This role is characterised by long working hours and an interest in popular music would be an

This is an excellent opportunity to join a dynamic

Interested applicants should send a comprehensive curriculum vitae, stating a daytime telephone number and current remuneration package, quoting reference 289580, in full confidence, to Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LHL or

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Oxford University Press

FINANCIAL CONTROLLER

Publishing, Oxford based

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The successful candidate will probably be a graduate qualified accountant, with strong interpersonal skills. A good commercial or professional track record and at least five years' PQE is essential. Previous experience

se apply, in writing, with details of current salary, to Mr. D.C. Moody, Personnel Director, Oxford University Press, Walton Street, Oxford OX2 6DP.

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Please send resume with salary history to:

The Financial Times, Box #A5327 Number One Southwark Bridge, London UK SE1 9HL

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US Not -For - Profit Headqu Pragne seeks experienced (10 yrs) NFP professional to direct and contro all financial and administrative

Director of Finance

Prague

an immecan and administrative with 70 mployees (including ex-pats) and S8 million budget. The successful includes will have proven abilities in veloping new account sudgeting, management reporting and computer systems. Familiarity with Czech Republic reporting epublic reporting as would be a plus.

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organisation with excellent career prospects.

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Opportunities also exist in treasury, financial analysis, structured finance, product control and fund accounting. We would be pleased to offer guidance to candidates with experience or interest in any of these areas.

For a confidential appraisal of your potential for career development, please contact Matt Mattheou or Ken John at Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH. TeL 0171 831 2323. Faz. 0171 404 5773.

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With a turnover in Europe of over \$1 billion and world-wide sales of \$5 billion, our client is a major U.S. distributor of electronic components and computer products. Their dramatic growth has been realised both organically and through an aggressive programme of acquisitions. As a result, the company is now the fastest expanding major distributor in Europe with the Far Eastern markets also promising huge growth opportunities.

They now wish to recruit a high-calibre Regional Financial Controller with responsibility for a region with an annual turnover of \$400 million. These revenues are expected to double by the year 2000. Reporting to the International Finance Director based in the UK, your detailed brief will include:

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 - as business re-engineering and implementation of regional treasury and asset management strategies.

 Proactive involvement in the timely and accurate production of financial and management information. Ensuring the successful integration of newly acquired businesses into the Group.

The successful candidate will be a qualified accountant or equivalent with substantial commercial experience. You will be fluent in English and ideally one other European language and possess outstanding inter-personal skills. The latter will be critical as you will be liaising at the most senior levels. This position could be based out of Copenhagen in Denmark or Hertfordshire in the U.K. Longer term career opportunities will be excellent for the high-achiever.

Interested applicants should write in English to Valerie Laffille or Andrew Livesey, stating current remaneration and quoting reference number URR 0023 at Nicholson International Search and Selection Consultants), Bracton House, 34-36 High Holborn, London, WCIV 6AS, Alternatively fax you details on +44 171 404 9129 or call +44 171 404 5501 for an initial decussion.

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 a good grasp of the range of techniques, methods and devices which may be utilised in international

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For further information contact Jim Birtwell on (0171) 415 2800, or forward a comprehensive resumė to Brewer Morris, 179 Queen Victoria Street, London EC4V 4DD. Outside hours (0171) 622 0900. Any applications made directly to Reuters will be forwarded to Brewer Morris. Reuters is an equal opportunities employer.

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The Group has expanded through a history of organic growth and acquisition end will continue in a similar vein. The role will hold responsibility for consolidation of Divisional management accounts, cash flows, budgets and forecasts. Statutory accounting, tax planning, audit, and system development responsibilities will also come within the remit.

The successful candidate will be a qualified chartered accountant with substantiel service industry experience and the potential for further career development. Ha/she will also be able to influence at all levels and have strong people management skills setting targets to achieve results through others.

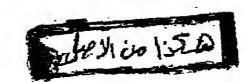
This is a rare opportunity for an ambitious individual to contribute to and share in the profitable growth of the Group.

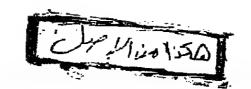
Please send your full CV detailing what you are able to offer us to:

Human Resources Manager, PCL Group plc, Waterside House,

47 High Street Rickmansworth, Herts WD3 1ES Tel: 01923 771111 Fax: 01923 775190







y rights. AMP is the kind of company that ought not to exist. Based in the prosperous farm country of Harrisburg. Pennsylvania, it makes simple electrical parts of a type which should have been taken over long ago by Taiwan or Korea.

Nevertheless, it increased its US workforce last year by almost 3 per cent. Although it manufactures in 23 countries, it exports six times as much from the US as it imports. With sales last year of \$5bn (£3.2bn), it has a published target of \$10bn by

It could have gone differently. A decade ago, AMP was in crisis: ham-mered by Asiao competition, it closed 20 US factories and fired a quarter of its US workforce in three years. Its recovery is not only a tribute to American ingenuity. With luck, it suggests that for US manufacturing, there is life after down-

AMP is the world's biggest maker of electrical connectors. At their simplest, these are little horsesboeshaped pleces of metal stuck on to the ends of copper wire. Some of AMP's output is vastly more sophis-ticated; but the heart of the company is not so much rocket science

as manufacturing know-how.
Founded in 1941 as AircraftMarine Products, it began by patenting a way of crimping connectors on to wire rather than soldering them. Patents - mostly involving knacks of manufacturing - have been crucial ever since. The chairman, Jim Marley, has a dozen or so to his credit from his early tays as an AMP eogineer. So has the chief executive, Bill Hudson.

Also fundamental is the idea of supplying customers with the tool or machine with which to install the connector. This still applies to some 60 per ceot of the company's products. AMP, Marley observes, is rather like Gillette: sell the razor, then sell the blades to fit it.

"The AMP product you bold in your hand," he says, "contains only around 20 per cent of the technology that went into making it. Over the years, the people in Taiwan or Korea who looked at the part and tried to make one like it found they didn't have the 80 per cent."

Ten years ago, that logic suddenly looked vulnerable. In the early 1980s, soaring demand for electronic components had outrun US supply. As a result, AMP's customers turned to East Asia, and found they could get connectors not only cheaper but with fewer defects.

In one respect, AMP was lucky. It had been in Japan since 1957, when an AMP executive went over with a briefcase stuffed with \$15,000 in cash to start a manufacturing plant. Thirty years later, as the company hacked production in the US, it was able to expand in East Asia.

US electrical parts maker AMP has survived a battering from East Asian

competitors, says Tony Jackson

Wired for the future



have worked to catch up. As one measure of success, its US employ-ment - adjusted for acquisitions is now some 5 per cent higher than

at its peak in 1984. There has been a price. At times during the past 20 years, AMP has Since then, the US operations required its workers to take a

week's unpaid leave in business downturns. Only last week, in response to what it believes is a temporary weakness in the US market, it called for volunteers amount-ing to some 25 per cent of the US workforce to take such a break. Such flexibility, though, helps the

MANAGEMENT

US operations win business. A recent breakthrough was to start sopplying the US auto plants of Honda and Toyota. Previously, the Japanese insisted for quality reasons on using their traditional local supplier, AMP Japan. The next target is the US plants of BMW and Mercedes, which are still wholly supplied by AMP Germany.

One legacy of the mid-1980s crisis proved permanent. Until 1985, AMP in the US could pass oo annual

in the US could pass oo annual in the US could pass of annual price rises of 3 per cent to 5 per cent without much debate. Ever since, prices have fallen annually by a similar amount.

This makes the target of doubling

sales by 2000 all the more challenging. Revenue growth has to rise from its historic level of 7 or 8 per cent to around 14 per cent. That in turn means volume growth of 20 or

22 per ceot a year. It is a formidable objective, which AMP intends to address in three ways: first, by capturing new mar-kets in India, China and eastern Europe; second, by nicbe acquisitions; third, by moving into more

dvanced technologies.

The last part involves developing advanced techno connectors to fit fibre optic cable rather than copper, litting the connector to the cable in-house, rather than leaving it to the customer, and making communications switches that connect to the information superhighway.

Some of this presents problems of high-tech manufacturing and a more sophisticated salesforce. It also involves heavy speoding on R&D. In return for the extra risk, AMP says, it will move from a \$25bn market, in which it already bas a dominant 20 per cent share, to one of \$87bo. AMP hopes those new businesses, which contribute up to 15 per cent of revenues today, will add between \$1.5bn and \$2bn to sales by 2000. Meanwhile. as it freely concedes, it has to convince the doubters on Wall Street that it

can turn those sales to profit, There is a more basic worry, in a world of wireless technology and ever more advanced microprocessors, might the notion of connection

eventually become redundant? Not at all, AMP says, However much is designed into the chip, the information still bas to get out somebow. As for wireless, a typical cellular phone handset contains \$2.\$3 worth of connectors, while the connectors in a cellular base station cost around \$20,000. Wireless telephony, Marley says, turns out to

use more connectors than wired.

AMP, Hudson adds, has lived with the death of connectors since he can remember. "In the 1960s, the integrated circuit board was supposed to be the death knell. But there always has to be an interface. I no longer have nightmares about something coming down the line."

Consulting firms become top dogs

Tim Dickson on new findings into what Europe's business graduates feel makes the ideal employer

firms have taken the top three places in a poli of European business graduates, ousting computer companies as the students' ideal type of

McKinsey & Co, Boston Consulting Group and Andersen Consulting achieved a clean sweep for consultants in the 1996 European Graduate Survey conducted by Universum of Sweden and published this week.

McKinsey and BCG were espectively second and third in 1995, but they were overshadowed by Hewlett-Packard (ranked Number One last year), IBM (4) and Microsoft (5). Hewlett-Packard and Microsoft are in the top 10 this time but IBM has slipped to 13th position and Apple Computer has dropped ont of the top 20.

The findings, which multinationals are more popular with graduate job seekers than their European counterparts, suggest that some companies might consider a more pan-Enropean recruitment strategy. More than 7,500 individuals from 56 business and engineering schools and universities responded to the questionnaire.

"Several European companies, such as Anglo-Dutch Unilever and Shell and Swiss-Swedish ABB succeeded in attracting graduates preferences because they are no longer seen as national companies, but are rather considered as global and multicultural companies," says Micbal Kalinowski of Universum. Companies such as BMW, Siemen and Nestlé also did well.

Asked what type of organisation they would ideally like to work for, 55 per cent opted for a multinational. Positive features included "having co-workers of other nationalities", "adapting to foreign cultures and business practices" and "working in a foreign language", though living away from bome and the requirement of international relocation were cited as downsides of such jobs. Danish, Finnish and Irisb

Students' Top 50

ank	Company	Index %	Ran	k Company	Index %
	McKnsey & Co	13,72	26	Morgan Stanley	4,35
	Boston Consulting Group	11,10	27	Alcatel	4.28
	Andersen Consulting	10,40	28	Price Waterhouse	4,27
	EMRY	9,68	29	KPMG	4,25
	Procter & Gamble	8,93	30	Lufthansa	3,97
	Nestle	8,91	31	Coopers & Lybrand	3,86
	Hewlett-Packard	8,63	32	3M	3,72
	Siemens	8,09	33	Bain & Company	3,72
	Microsoft	7,81	34	Ernst & Young	3,65
0	Unitere:	7,61	35	Volkswagen	3,62
1	A83	7.40	36	Ericsson	3,59
5	Mercedes-Benz	7.25	37	Renault	3,27
3	IBM	6,98	38	Deutsche Bank	3,22
•	Sheil	6,39	39	Salomon Brothers	3,16
5	Philips	6,21	40	Heinsken	3,10
9	Sony	6,18	41	Booz Alien & Hamilton	3,05
7	J.P. Margen	5.38	42	antish Petroleum	2,98
3	Goldman Sacts	5,34	43	Vatvo	2,95
3	L'Oréai	5,14	44	Bertelsmann	2,93
9	Arthur Andersen	4,66	45	Norsk Hydro	2,88
_	Motorala	4,64	46	Aosch	2,35
2	Danche	4,56	47	Kraft Jacobs Suchard	2,78
3	Botish Abways	4,47	48	Apple Computer	2,76
L	Nokia	4,42	49	Gernina Consulting	2,71
5	Merr'l Lynch	4,35	50	Stated	2,58

students were most interested in multinational careers: Austrian, Italian and Spanish students were the least enthusiastic.

The typical profile in the survey is of a demanding graduate seeking exciting prodocts and services and fellow workers with whom they will enjoy socialising. Obtaining a competitive salary was not a significant issue - it ranked 13th in the list of "attractive" characteristics of a first employer – and focusing on personal development and growth was more important than opportunities to reach a nagement position.

The most important requirement, particularly in relation to management consultants and Belgian, British, Danish, French, German, Irisb, Norwegian and Spanish respondents, was that employers provide a good reference for the future, Austrian, Finnish, Swedish, Swiss and Italians put more emphasis on language skills, while the Dutch were seeking exciting products and services. The survey editors stress that

factors infineocing a company's "corporate image" (product branding, marketing, for example) are oot the same as those influencing the "employer image"

Asked bow they will influence key corporate decisions. tomorrow's managers mostly put tbe emphasis on the "buman dimension", with the motivation of employees and development of an inspiring vision the top priority. Personal development and growth, developing a career and building a family far outweighed other priorities such as travelling and leisure, starting a company, developing creative and artistic talents and contributing time to non-profit organisations.

Government agencies, family businesses and non-profit organisations emerged as the least attractive employers, with each getting the support of just 2 per cent of the student sample.

The European Graduate Survey 1996. Details from Universum, Box 7053, 103 86 Stockholm, Sweden. Tel 46 8 679 4800, fax 611 0013.

COMMERCIAL PROPERTY



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Newly refurbished office suites in Berkeley Square House incorporate structured wining - a revolutionary, cost saving system that allows your business to embrace the future of telecommunications.

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Richard Ellis 0171-629 6290

Ref: PS

Ref: PJF

CORPORATE FINANCE

APPOINTMENTS

tions for the origination of business with respect to companies in TMT istries, provide advice on U.S. regulatory requirements and U.S. business practic advise governments on the occanization and execution of privatization transactions lifected to the U.S. market, perform market analysis, provide industry, financial and egulatory advice to non-U.S. companies seeking to engage in merger, acquisition or strategic venture relationships in the U.S. and general advice and relationship agement with respect to the execution of corporate finnce and merger and equisition matters involving the U.S. market. Salary negotiable. Applicants, aged 30 to 35 and holding post graduate degree, with minimum 10 years' relevant business experience and with European language ability in addition to English, should write. enclosing full curriculum vitae to Box 85857, Financial Times, One Southwark Bridge, London SEI 9HL

COMMERCIAL PROPERTY

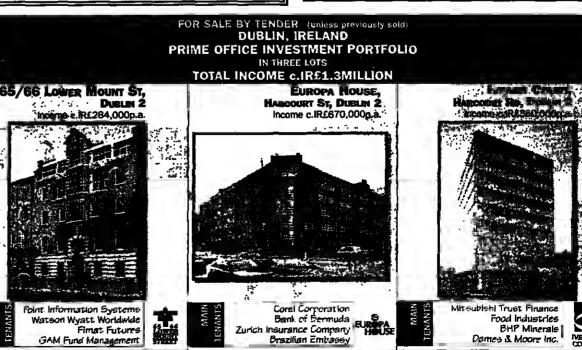
OUALITY 9645 sq ft

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OFFICES 896 sq m WEST END

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Winetovern Street, Dublin 5, Ireland FAX: +353-1-676 7066 Winetavern Street, Dublin 8, Ireland TENDERS: Latest date for receipt of Tenders 12 noon,

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Outch based holding company seeks offers for quanty registres and distribution business focussed lowerds the Benefix and German market

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"IN THE NAME OF GOD"

INVITATION

PREQUALIFICATION OF

APPLICANTS FOR

2 X 160 MW HINI MINI

HYDROELECTRIC POWER PLANT

iran Water & Power Resources Development Company (TWPC) invites

applicants to provide information for prequalification of the following

part(s) of the 2 x 160 MW HINI MINI HYDROELECTRIC POWER

Project management, supply of auxiliary electrical & mechanical

equipment and erection of all main & auxiliary electrical &

Supply and supervision of erection of 2 No, vertical shaft Francis

tuthines (not head of 114 m) complete with governors and 2 No.

generators complete with excitation systems and switchgear (Lot 5).

Supply and supervision of erection of 1 & C and protection systems

3. Supply and supervision of erection of 2 No, vertical synchronous

Each lot shall be financed by the tenderers independently, and separate

The applicants themselves or their authorized representatives may

obtain prequalification documents from June 9, 1996, onwards and are

required to submit completed prequalification documents before 12.00

"IN THE NAME OF GOD"

INVITATION

PREQUALIFICATION OF

APPLICANTS FOR

4 x 250 MW UPPER GOTVAND

HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites

applicants to provide information for prequalification of the following partial of the 4 x 250 MW UPPER GOTVAND HYDROELECTRIC

POWER PLANT to Khuzestan province of the ISLAMIC REPUBLIC

Project management, supply of auxiliary electrical & mechanical

equipment and erection of all main & auxiliary electrical &

Supply and supervision of crection of 4 No. vertical shaft Francis

Supply and supervision of erection of 4 No. vertical synchronous

generators complete with excitation systems and switchgear (Lot 5).

Supply and supervision of crection of I & C and protection systems

Each lot shall be financed by the tenderers independently, and separate

The applicants themselves or their authorized representatives may

obtain prequalification documents from June 9, 1996, onwards and are

required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

prequalification documents are to be submitted for each lot.

Iran Water & Power Resources Development Company

Electrical & Mechanical Department (Mr. Kiani)

turbines (net head of 112m to 139m) complete with governors and 4

prequalification documents are to be submitted for each lot,

hours on July 10, 1996 at the following address:

Electrical & Mechanical Department (Mr. Kiani)

han Water & Private Resources Day Jopinem Company

PLANT in flam province of the ISLAMIC REPUBLIC OF IRAN.

mechanical equipment (Lot 3).

butterfly valves (Lot 4).

Building No. 1, sixth Floor,

No. 212 Nejatollahi Street. Tehran - IRAN

Tel. (+98) 21 8801038-9

Fax (+98) 21 S97635

Munistry of Energy Iran Water & Power Resources

Ministry of Energy

Development Co.

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Joint Receivers, Donald McGruther or Jonathan Birch Capital Foods, 222 Queensferry Road,

Edinburgh EH4 2BN. Tel: 0131 343 6131 Fax: 0131 343 3555 Grant Thornton, 1/4 Atholi Crescent,

Edinburgh EH3 8LY. Tel: 0131 229 9181 Fax: 0131 229 4560

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"IN THE NAME OF GOD"

INVITATION PREQUALIFICATION OF APPLICANTS FOR 2 X 125 MW SAZBON

HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (1WPC) invites applicants to provide information for prequalification of the following part(s) of the 2 x 125 MW SAZBON HYDROELECTRIC POWER PLANT in Ilam province of the ISLAMIC REPUBLIC OF IRAN.

- Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3). 2. Supply and supervision of erection of 2 No. vertical shaft Francis
- turbines (net head of 120 m) complete with governors and 2 No. butterfly valves (Lot 4), 3. Supply and supervision of erection of 2 No. vertical synchronous
- generators complete with excitation systems and switchgear (Lot 5). Supply and supervision of erection of I & C and protection systems

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

han wan, & Fower Resources Deventionera Company Electrical & Mechanical Department (Mr. Klani) Building No. 1, sixth Floor. No. 212 Nejatollahi Street, Tehran - IRAN Tel. (+98) 21 8801038-9 Fax (+98) 21 897635



'IN THE NAME OF GOD"

INVITATION PREQUALIFICATION OF APPLICANTS FOR 3 X 250 MW KARUN 4

HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (TWPC) invites applicants to provide information for prequalification of the following part(s) of the 3 x 250 MW KARUN 4 HYDROELECTRIC POWER PLANT in Khuzestan province of the ISLAMIC REPUBLIC OF

- 1. Project management, supply of auxiliary electrical & mechanical equipment and election of all main & auxiliary electrical & mechanical equipment (Lot 3). 2. Supply and supervision of election of 3 No. vertical shaft Francis
- turbines (net head of 147 m) complete with governors and 3 No. butterfly valves (Lot 4). 3. Supply and supervision of erection of 3 No. vertical synchro
- generators complete with excitation systems and switchgear (Lot 5). 4. Supply and supervision of erection of I & C and protection systems

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

that want a . Over Kastorees Development Company Electrical & Mechanical Department (Mr. Kiani) Building No. 1, sixth Floor,

No. 212 Nejatollahi Street, Tehran - IRAN Tel. (+98) 21 8801038-4 Fax (+98) 21 897635



With reference to our tender invitation in the name of the Air Traffic and Airport



Expressions of Interest Ford **Management Contract**

Automotive Training Centre for Wales

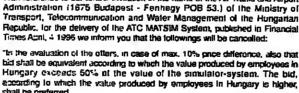
The Welsh Development Agency, the Ford Molor Company end other pertners are establishing a major 'new build' industry Iraining centre in South Wales to serve the automotive and related industries. It is anticipated it will be operational by March 1997.

The Centre will provide a full range of training courses, in manufacturing related skills, to SMEs in the region and to the Ford Motor Company. II will also help develop the skills base in the region through innovative ventures with TECs and local schools.

Research has confirmed likely demand end an indicative business plan has established viability.

We will be inviting tenders following receipt of expressions of interest from suitably experienced organisations to manage

> Should you wish to consider tendering, then please write or fax to John Sheppard, Eres, Castle Buildings, Cardiff, CF1 2RG Fax 01222 384683 for further information.



mechanical equipment (Lot 3).

No. butterfly valves (Lot 4).

bid shall be equivalent according to which the value produced by employees in Hungary exceeds 50% at the value of the simulator-system. The bid, eccurding to which the value produced by employees in Hungary is higher

KOMPLEX Trading Co. Ltd. (H-1807 Budapest, Andrássy ut 10 Tel.: (36-1) 1 320-592 Fax: (36-1) 1 316-527



Please contact Melanie Miles on Tel: +44 0171 8733349 Fax: +44.0171 873 3064

LEGAL NOTICES

IN THE RUGHT COURT OF JUSTICE

IN THE MATTER OF HENLYS GROUP PLC IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that fine Order of the High Court of Itanae (Camery Division) dated Ist May 1996 confirming the reduction of the sheer permitted account of the above patted Company by £45,000,000 was registered by the Resistence of Commission of the Section of the Registrar of Companies on 3rd May 1996. DATED that 17th Ley of May 1996. ASHURST MORRIS CRISP Broadwalk House S Appold Street Landon EC2A 2HA

=ASTIKA AKINITA-

INCORPORATED CCGPANY OF REAL ESTATE
CONSTRUCTIONS TOURIST AND RELATED ENTERPH

PUBLIC CALL FOR TEXTERS FOR THE SALE
OF THE ASSETS OF THE COMPANY UNDER THE TITLE "GRECE HOTELS S.A." 6 The essets of the company and all the elements of which they consist, such as real selects, represented obtacks, nerve, claims, title, rights, etc. will be sold and (paralletted his and where they are, i.e. or their real send legal condition and at the place where they are located on the date of signing the contract of eals.

The incorporated company "ASTECA ARRIVA A.E." (43 Panepartment str., 105 64 Athern) as a special liquidator by write of resolution No. 151.19 (31 1995 of Ins Court of Appeal, of Crete, of the breted lability company "GRECE HOTELS, HOTEL AND TOURISM ENTERPRISES S.A." (he/colore) releared to as the "interprise") now and regal consider which are the place which any we make they are not liable for these against the company of the figurealing company and the creditors representing 51% of total claims against the company 7. The figureating 51% of total claims against the company (parts. 1, which 25s. L. 1882/1990 as it currently applica) are not liable for any legal or real delects of the total or any activations of the objects and rights being sold, not are they liable for any consistent or procouracles contained in the other instrumentum and any correspondence.

A public cell for backers with sealed, blackey offers, for the asis of the total assets of the enterprise under special Equitation by wirtue of article 45s, L. 1992/1990.

entarprise under apecial liquidation by virtue of article star. L. 1882/1990.

ACTIVITIES AND BRISEF DISSICHIFFION OF THE COMPANY
The "enterprise" was founded by virtue of act No. 9864/12.4.1982 of the notery public of Atheric
Andromache D. Kastarati under the title "M. PERANTOMS S.A. HOTEL AND TOURISM
ENTERPRISES". It was renamed "GRECE HOTELS HOTEL AND TOURISM ENTERPRISES S.A." by
a decision taken by the General Assembly on 12.11 1990. The seat of the company according to assambles of association to the alteriopathy of largestin, Prefetcher of Lastinon. Orde. The object of the
company is the establishment and lummy to account of hotels, catestrias, bars, pattereries, dance
clubs and discus, company grounds, renibed apartments and other holdely facilities, restaurants and
other recreation contracts of boards agreements and other holdely facilities, restaurants and
other recreation contracts. of boards agreements and other holdely facilities, types of holdel and
founds or temperature of which the objectives are directly or indirectly related to the Company is objectives.
The Company came under special foundation as provided by article 46s. L. 1892/1990 and the corespany
"ASTIKA AKONITA S.A." was appointed uponts in holds complex which corrects of two (2) adjacent.

The essels of the "enterprise" include a lounts. Includ complex which corrects of two (2) adjacent.

"Agrick Archites A.A." was appointed special legislation.

The assets of the "enterprise" include a lourist - hotel complex which corrects of two (2) adjacent seasible hotel units of A and B Clase, with real capacity of 341 and 142 backs, (Ferrise Beach and Ferrise Bay inspectively), suitabled at the locality Terms" of the Municipality of Agois lourins, approx 8 kin. from terapolity, by this sea - shows and 0 covers a total water of 25,775 sour. The hotel complex conniciss of an A Class hotel unit with a real capacity of 189 rooms and 541 backs, which include the carboal building, building (E), two (5) burgative wings (A+A1, B C, O & F) and various other auxiliary buildings, and a B Class hotel with a capacity of 71 rooms and 142 backs and include a time-storey building with auxiliary areas and five (5) websites.

TERMS OF THE CALL FOR TENDERS TELHORS OF THE CALL FOR TEMEZERS.

I. The public call for lenders will be carried out according to the provisions of article 46a, L. 1892/1990 rebirds was added to the law by winter of the provision of article 14. L. 2000/11, as it has been amended, completed and as it currently applies, the terms included in the prevent call for tenders and the forms of the other memorandum, which interested parties may obtain what submitting a pletope of the other memorandum, which interested parties may obtain what submitting a pletope of

2. to order to perticipate to the cell for tenders, interested parties are levited to deliver a seeled, binding ofter in writing by 71.00 on Thursday, June 13th, 1996 to the lengestra notary public libra. Ratiopi Kochayadaki- Chrysaid, 1 Koreka str. 722 00 IERAPETRA, tol.: 0842 - 2.2175, Inc. 0842 - 2.2764.

3 The offers and the letter of guarantee must be delivered in a sealed, opingue envelope by the 1. The offer must mention clearly the amount offered for the purchase of the total assets of the

company under liquidation and must not contain any terms, options or vaque pitrases which might create uncortainty as to the amount or the manner of payment of the sum being offered or other matters restrict to the sale.

DUAL FRANCHISE MOTOR DEALERSHIP

growing, Occupies half 1.1 acre site. A little gem. Would attract owner occupant or quality Group. Write to Box B4511, Financial Times. One Southwark Bridge, London SE1 9HL

LEGAL NOTICES

KINGSCROFT INSURANCE COMPANY LIMITED (formerly Kraft Insurance Company Limited, Dart and Kraft Insurance Company Limited, and Dart Insurance Company Limited)

and

WALBROOK INSURANCE COMPANY LIMITED aad

EL PASO INSURANCE COMPANY LIMITED

LIME STREET INSURANCE COMPANY LIMITED (formerly Louisville Insurance Company Limited)

MUTUAL REINSURANCE COMPANY LIMITED

' ('the KWELM companies')

Notice is bereby given that the second ANNUAL MEETING of the Scheme Creditors of the KWELM companies coovened pursuant to clause 8.1 of the Scheme of Arrangement ('the Arrangement') will be held at 2.00 pm [Central Time] on Wednesday 26 June 1996 at the Bismarck Hotel, 171, West Randolph Street, Chicago, Illinois 60601, USA. The Scheme Administrators' report on the conduct of the affairs of the KWELM companies for the year to 31 December 1995 shall be laid before the meeting.

Scheme Creditors may attend in person (or, if a corporation, by a duly authorised representative) or they may appoint another person, whether a Scheme Creditor or not, as their representative

Forms of representation for use at the said meeting, copies of the Scheme Administrators' report and the Arrangement document incorporating the terms of the Arrangement are available on request to the Scheme Administrators at the address set out below.

Dated this day 14 May 1996 CI Hughes and IDB Bond Scheme Administrators of the KWELM companies

Address for correspondence: Plumtree Court London EC4A 4HT Telephone + 44 171 583 5000 Fax + 44 171 212 6708

A London meeting of the Scheme Creditors of the KWELM companies will be held at 2.00 pm on Wednesday 3 July 1996 at the Coopers & Lybrand Training Centre, 2-3 Bloomsbury Square. London WC1A 2RL, United Kingdom, to enable those unable to travel to Chicago to soend

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Annual General Meeting of Shareholders of MLH Realty Investments VI N.V. (the "Company") is hereby given. The meeting is to take place at 11:30 a.m. on May 30. 1996, at the registered office of the Company, 14, John B. Gorsiraweg, Curação, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

Report by Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year Company and on the admini ended November 30, 1995.

- Discharge and subsequent re-election of the following members of the Board of Supervisory Directors: Mt. Thomas J. Brown, Mr. D. Bruce Grunson and Mr. Jack A. Cuneo.
- Report by the Board of Managing Directors on the course of business
- during the fiscal year ended November 30, 1995 Presentation of the Net Result of the period December 1, 1994 through
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1995 and as presented in the report of the accounting firm of Ernst & Young L.L.P. dated
- Discharge and subsequent re-election of the Board of Managing Directors
- Selection of independent auditors

hareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomante Corporation N.V. suthorizing Yvomante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by writton notice to Yvomante Corporation N.V., 14, John B. Gorstraweg, Curação, Netherlands Antilles, received prior to such necting. Shareholders have the opportunity to instruct Yvomand Corporation N.V. as to the voting of their shares by writing to Yvomante

By: MeesPierson Trust (Curação) N.V. Managing Director

8. Marestod potential purchasers are obligated, under their own supervision, and by their own manne, expenses and experies and experies and experies and experies and experies and experies and experience purchased the objects being cold, and to experted on their other that they are fully inflammed as to the real and logal condition of the essets under tale.

mercon at their over this they are any maximous to the real and regar constant or the session prices with a first knowledge of the creditors membrated as pare. 7 above are entitled, according to their entrangement, to reject offers containing terms and options, or contain the other consistent membrated in search, a of the present, regardless of whether they are superior to other offers as regards the estimate being othered. In any case, the orderiors have the right, in their judgment, to reject others that include being othered. In any case, the order stephens to other offers, as well as to consider these terms not interest and thus the other remarks banding according to the rest of its context (article 2, pars. 3, 1.2, 1920-1934).

2302-1945).

10. In the event that the successful bidder volution is to dispation to come forward and sign the contract within lon (10) days from the relevant invitation by the liquidator and observe the obligations entaing from the present amountement, the letter of guarantee is declared forfelled in tensor of the liquidating-company, lowards covering all its expenses of any type and its services, as also any direct or indirect demages, without the naceastly of proving specific demage, and as a upenal clause in fractor of that company, downed as taking been submitted with the other, so that it can be collected from the plants, sating the quarantee. The letters of guarantee will be returned, following the evaluation report of the (quidator, and especially to the successful bidder following the payment of the amount and the displing; of the payment order.

11. The socie of the offices will be broken by the notary public mentioned above, at bis office, at 13.00 on Thursday, June 13th, 1995.

12. The successful budger will be the purity whose offer will be judged by the liquidator and appropriate creditors mentioned in para. 7 of the present, as being the most advantageous, for 13. The tiguidator will notify the successite hidder in writing of his obligation to come forward to the place and at the time determined in this notification, for signing the contract transferring the assets, according to the lemms of the other and any improved forms that may be indicated by the cradition and agreed with the highest bidder.

14 All costs from the participation in the tunder and the transfer (fox, stamp duty, notary public's feed, negative of mortgages. V.A.T., armouncements, etc.) will burden exclusively the bidden and the successful order accordingly.

15, in the event of part of the purchase price being on credit, the successful bidder will be obligated to provide any guarantee that may be requested by the liquidator according to his own exclusive programmit, and will be burdened with all radiated expenses, costs and fees required for the termination of such quarantees and their termination.

16 The liquidator and the creditors will not beer any responsibility or lightilly against those who will perhapsite in the bunder as regards the evaluation of the offers, their recommendation of the successful bidder, the document for the repetition or cancellation of the tender and any other decision retoward to the procedure and reelization of the tender.

17 The present announcement has been drafted in the Greek language and from language, in every instance however, the Greek text will prevail.

interested parties may extloct offer merconandums and receive other information from Mr. Gorascines Christopoutra and Mr. Vierses-Arvandids, 43 Panepietimiou Street, 105 64 Athens, tolephone nost: 126,6110 and 326,6115, far no 326,6118.

-ASTIKA AKINITA-INCORPORATED COMPANY OF REAL ESTATE Near Southampton. Quality. niche franchises. £3m sales and

INVITATION FOR THE DECLARATION OF INTEREST FOR THE PURCHASE OF THE ASSETS OF "HELLENIC DECORATIVE ROCKS S.A." The incorporated company under the title "ASTIKA AKINITA A.E." (43 Paraplishmou street, 105 64 Athens), in its capacity as special liquidator of the incorporated company "HELLENC DECORATIVE FORCES S.A." with heed offices in Kalsardat SA, Hobergos, Profective of Affaca, by virtue of the provision of article 46a, Lew 1932/1996 as infect to the key by the provision of article 46a, Lew 1932/1996 as a modified and applicable, and of Judgement No. 4292/1996 of the Coort of Appeal of Affaca, by Agreement No. 4292/1996 of the Coort of Appeal of Affaca, and applicable, and of Judgement No. 4292/1996 of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, and applicable of the Coort of Appeal of Affaca, by Affaca, and Affaca, and

PRIVITES all interested parties to declare their interest for the purchase of the total essents of PRELENC DECORATIVE POCKS S.A.", a company having its objective the quarting and processing of martist and grantle blocks (marble and grantle products, reinferroad decorative stonework, etc.) or an industrial complex located of Lampouse, Maniferpally of Lappouse, Preferance of Eva. by submitting within a form of benefity (20) days from the publication of the present a non-busing declaration of interest in writing.

The assets of the company underliquidation include a fully equipped included and, constructed on a site with a total area of 44,783 mam, and located at Lampousa, Maximpelity of Lepotum, Prefecture of Evia, on the 15th kim, of the Alivert-Ryml regional road.

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PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Acr") to Eastern Group Telecoms Limited ("the Licensee") to run licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

. The principal effect of the License will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems, incloding earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services to an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those relecommunication services to all who reasonably request theto within that area.

3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public relecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a poblic telecommunication . The Secretary of State proposes to grant the licence in response to an

application from the licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of comsumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services. . He proposes to apply the relecommunications code ("the Code") to the

Licensee subject to certain exceptions and conditions throughout the United Elingdoto. The effect of the exceptions and conditions to the application of the code is that the Licensee will have duties; (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or

only on such above-ground apparatus as is already installed for any purpose; (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation,

maintenance, repair or alteration of its apparatus; te) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Country-ide Council for Wales, the National Trost and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to keep and make available records of the location of undergrou apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and (e) to ensure that sufficient funds are available to meet certain

liabilities arising from the execution of street works. . The reason why the Secretary of State proposes to apply the Code to the

Licensee is that the Licensee will need the statotory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence . The reasons why it is proposed that the code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the

physical environment is protected, that there is no greater damage in land than necessary, that the systems are installed as safely and economically as possible, and that the licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works. Representations or objections may be made in respect of the proposed licence, the application of the Code in the Licensee and the proposed exceptions and coorditions referred in above. They should be made in writing by 17 June 1996 and addressed to the undersigned at the

Department of Trade and Industry, Communications and Information Industries Directorate, Room 2.67 Grey, 151 Buckingham Palace Road, Loodon, SWIW 988. Copies of the proposed license can freely be obtained by writing to the Department or by calling 0171-215 1756. Alaa D Proud

Department of Trade and Industry



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'In your face' Handel packs a punch

Richard Fairman reviews David Alden's controversial production of 'Ariodante'

his promises to be a turbulent period for Handel, or at least the lovers of his music. At the very moment that Clyndebourne is putting the finishing touches to its new production of Theodora, potentially the most controversial opening the fes-tival has ever had, English National Opera is joining in the fun by reviv-

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The production dates from 1993, the closing months of the "power house" regime, when ENO seemed to be driven by a desire for cootroversy at any price. This Ariodante. produced by David Alden, the most extreme of the anti-traditionalist brigade, was either the crowning

glory or the last straw, depending which side one was on. People loved it or hated it. There was no middle ground at all, although in retrospect perhaps there should have

Lesley Garrett as Dalinda: the staging is determined to rid Baroque opera of powdered wig stuffiness

Alden's staging is determined to rid Baroque opera of powdered-wig stuffiness. The singers are asked to deliver their most dizzying runs of semiguavers lying face down on the floor, or lighting a candelabra, or well, modesty forhids me from saying what Polinesso is doing during one of his solos, though it is nice to see him deriving such arousal from one of Handel's less good arias. The dances turn into meaningful "movement", including one of those

dream sequences that one only ever seems to see in opera, with bald men in black dresses strlpping a lone female.

All this could easily become a cliche of itself – and does. (No wonder a whole season of it drove ENO's audience away in the early '90s.) But Alden's ability to lay the emotions bare also results in some of the most powerful theatre that one is likely to have seen in Handel, putting across Ariodante's betrayal with a searing pain, as though he has torn the beart out of the opera and is standing there with its feelings bleeding in his hand. Ann Murray is the Ariodante, as

long and deeply-felt "Scherza infida" in Act 2, one of the greatest passages in any Handel opera, we see her character being stretched on the rack of pain, the hands becoming twisted with tension, the features contorted with grief. I happen to think that the music also became distorted in the drive for intensity. but this was a portrayal of immense vehemence, physically and vocally

new, and much of the evening's

impact rests with her. During the

Like Murray, each of the singers in this cast gives his or her all. As Ginevra, Joan Rodgers provides some of the most lovely Handelian she was when the production was singing to have been heard in Lon-

don for a long while, colouring ber music with luminous subtlety. As Dalinda, the other soprano, Lesley Carrett is nicely contrasted, firmer in tooe, more straightforward in style, but also of good quality. Paul Nilon is impressive as Lur-

canio, Gwynne Howell rather gruff as the King of Scotland. Christopher Robson's Polinesso makes character do duty for voice and style, as usual. There is, however, plenty of style in lvor Bolton's light and buoyant musical direction. All in all, this is an evening of "in your face" Handel that delivers quite a

Further performances until June 4.

In the mood for Martinu

secret hope lies at the heart of Jifi Bělohlávek's work in the UK - "that the British success story in popularisiog Janáček in the 1960s and 1970s will be repeated with Martinu, through my activity with

the BBC Symphony Orchestra."
As the world's foremost Martinu interpreter, Bělohlávek is well placed to make his dream come trne. Earlier this year he became the BBCSO's principal guest conductor, celebrating his appointment with a performance of Martinn's Fourth Piano Concerto in London. He is now back in the UK with the Prague Symptony Orchestra, and Martinn's Sixth Symphony features prominently on the tour. A BBC Martinu weekend at the Barbican is promised for January 1998, and there will be concert performances of the operas.

This is good news for everyone lu Britain who loves Czech music. Born and brought up in Prague, Bělohlavek says he used to tire of the way foreign concert promoters expected him to conduct Czech repertoire. But his attitude has hanged. "It's natural that people should want to know how Czechs play their native music, and there are still pieces by Dvorak and other well known composers which are seldom or never heard. The BBC Symphony, for example, had never played The Wood Dore until I condocted it in February. They hadn't done Taras Bulba for 20 years. These are pieces which contribute in the whole picture of Czech music. And so does

Martinu." Bělohlávek's style is exact and objective - an excellent foil in the spiritual generosity of most Czech music-making, and just the qualities needed to master Martinn's complex textures and quirky rhythms. What Belohlávek lacks in flamboyant charm, he makes up in industrious, long sighted determination. His performances may not always raise the roof, but they never lack finency or technical finish.

He reached the top of Czech musical life at a precocious age. At 32 he was chief conductor of the Prague Symphony Orchestra, and in 1990, aged 44, he became music director of the Czech Philharmonic. Two years later, in a flush of post-revolutionary democracy, the musicians voted to replace him with Gerd Albrecht, a German they saw as the key to a pot of gold. It was a fatal mistake. The orchestra split into two factions and its international reputation slid. The first thing it did after Albrecht's much publicised departure in February was to come running

isely, he neither accepted the offer nor slammed the door. Instead, he took on some of the engagements vacated by Albrecht, and set out the conditions under which he would consider returning as music director. These included the appointment of a professional management (currently in the bands of civil reorganisation to enable the engagement of foreign players, and regular re-auditioning to maintain the orchestra's quality.

"They want jobs for life," says Bělohlávek, "and I don't think that's right. I'm asking them to sort themselves out. I gave them a theoretical analysis – I didn't want to be accused of not being interested, nor did I want to appear angry because of what happened in the past. I accept that the past four years were a necessary stage of my

would be ridiculous if I accepted their offer at a worse starting point than six years ago. You can't step twice into the same river."

Still only 50, Belohlavek has time on his side. Two years ago he founded the Prague Chamber Philharmonic, a full-time ensemble for young professional musicians. Thanks to his orchestra-training skills, It already has an international reputation. A more unexpected development is his appointment as head of opera at Prague's National Theatre from 1998. Belohlávek has little operatic experience, and the job is an administrative nightmare. It would also get in the way of his possible return to the Czech Philharmonic.

But he sounds committed. " want to raise the quality to a level which would make the National Theatre part of the international circuit. The company has lived through interesting times – think of personalities like Talich. Chalabala and Kromhholc in the past – but it has become a backwater. It deserves closer attention to standards."

If anyone can resurrect the National Theatre, it is Belohlávek. In the meantime he is enjoying his freedom. Among his more impsual engagements is a concert on June 1 at Mahler's birthplace in Kalisté in

Andrew Clark talks to the Czech conductor Jiři Bělohlávek

southern Bohemia, part of a project to restore the Mahler family house Mahler features regularly in Bělohlávek's programmes – he is due to conduct the Sixth Symphony in London next season - bot be says it would he wrong in describe Mahler as a Bohemian composer.

"We shouldn't read too much into the fact that be was born in Bohemia, Even so, a child is very receptive in his early years, and Mahler would have absorbed the sounds of the village parade-square like anyone else. Czechs have an affinity to his music because it fits our mode of expression - rapid emphases and relaxations, and long-breathed melodies."

ew orchestras baulk at a Mahler symphony, but Bělohlávek is still waging an uphill Le describes bim as "a 20th century composer firmly bounded in tradition. There's a big range of quality - he wrote around 400 works, and not everything is first-rate - so it's important to

"Compartmentalising his Czech, French and American phases is misleading. It's true that these periods are recognisable, but they all belong to one life, one ocurre. His time in France and the US helped him to reaffirm his own language - they gave him something to absorb, swallow and digest, and transform into his own musical world. Yoo just have to listen to a piece like The Opening of Wells - it's rooted in Moravian reputation is about to take off, and that's why I'm happy to be working at the BBC, because we'll have enough time to rehearse. I'm convinced the potential is there to address a hroader audience."

Jiří Bělohlávek conducts the Prague Symphony Orchestra tonight in Nottingham, tomorrow at Basingstoke, on Sunday at London's Royal Festival Hall and on Monday at Wells Cathedral as part of the Bath festival.

(463m)

Theatre/Ian Shuttleworth

Three Hours after Marriage

L least as concerned with lampooning numerous figures in fashionabla London society as with writing a well crafted romp in their collaborative play, all but unseen since its original 1717 production. The caricatures are now meaning-less, leaving director Richard Cottrell to concentrate fully on the exuberant, absurd plotting. This ha does with all the required verve and a keen sense of the ridiculous which, however, never extends to ridiculing the play itself.

The elderly Dr. Fossill's bobby of collecting scientific curiosities allows designer Tim Goodchild to go to town on the set: the walls and stace of the Swan theatre are covered with everything from a glass case containing supposed infant mermaids to a stuffed giraffe. The plot is likewise outrageous, if repetitive: several times Fossill discovers billets doux in his new bride Susannah, several times she executes last minutes stratagems to persuade him of her chastity, and several

ugustan wits John Gay, times her rival suitors Plotwell and Yes, when Godley is inside it). Clive Alexander Pope and Doctor Underglot arrive with the intention Francis, in wild mutton chop whisconsummate the marriage. Plotwell is also patron to Fossill's aspiring playwright niece Phoebe, whose latest work is exposed to general laughter as Gay, Pope and Arbuthnot indulge in the period's ohligatory activity of sneering at poetas-

> This brew could be almost as unfunny as The Alchemist - with its disguises, confidence tricks and self-conscious humour - if the authors' moderate, refined sense of silliness had not been amplified by Cottrell and the clutch of performers who play the absurdity to the full but stop short of pushing it into overdrive.

Foremost among them is Richard McCabe as Plotwell, who pulls off a fine bit of Polish-comedy acting in one disguise before reappearing for gorgeously surreal confrontation with Adam Godley's suave, swaggering underplot in which the two are costumed respectively as an Egyptian mummy and a stuffed crocodile (can a crocodile swagger?

John Arbinthnot were at of cuckolding Fossill before he can kers and Brezhnev eyebrows, splutters energetically as the repeatedly gulled Fossill, and Jane Gurnett as his bride slips in and out of littlegirl simpering as if throwing a switch, whilst giving an eloqueot display of a skill seldom seen these days - acting with one's skirts. David Foxxe turns in a couple of enjoyahly large performances as one of Fossill's fellow oddity-lovers and Sir Tremendous, the critic wbo demolishes the work of Phoebe. Alison Fiske in acres of turquoise drapery as an enraptured 18th-century "luvvie".

Three Hours after Morriage does not rank as an unjustly neglected major work; its principle raison d'etre, a series of scabrous caricatures of particular figures, bas long since become incomprehensible to all but scholars. Nevertheless, its more absurd elements are skilfully played up to create a production which is engagingly daft.

At the Swan Theatre, Stratford npon Avon, (01789 205301).



Jane Gurnett and Richard McCabe

INTERNATIONAL

■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Die Schöpfung: by Haydn. Performed by the Nederlands Kamerorkest and the Groot Omroepkoor with conductor Frans Brüggen. Soloists includa Mona Julstud, Vera Lansink, Toby Spence, Nanco da Vries and Julian Clarkson, 8.15pm; May 20

EXHIBITION Tel: 41-61-2710228 Kupferstich, Radierung. puztinta. Werke von Schongauer Baselitz aus dem Supferstichkabinett Basel: exhibition of angravings, etchings and

aquatints from the 15th century until the present; from May 18 to Aug 25 **BERLIN**

CONCERT

BASLE

Konzerthaus Tel: 49-30-203090

 Stockholm Chamber Orchestra: with conductor Esa-Pekka Salonen and planist Yefim Bronfman perform works by Prokofiev, Beethoven and R. Strauss, 8pm; May 19

DANCE Staatsoper unter den Linden Tel: 49-30-2082861 Raymonda: a choreography by Nureyev after Petipa to music by Glazunov, performed by the Ballett unter den Linden; 6.30pm; May 18

BOSTON EXHIBITION Museum of Fine Arts

Tel: 1-617-267-9300 Beyond the Screen: Chinese Furniture of the 16th and 17th Centuries: exhibition focusing on 18th- and 17th-century Chinese furniture; from May 18 to May 18.

■ BRUSSELS

EXHIBITION Le Botanique Tel: 32-2-2183732 Ça tourne depuis Cent Ans, une Histoire du Cinéma Francophone da Belgique: in film's 100th year, this exhibition focuses on the history of the cinema in Wallonia; to Jun 23

■ COPENHAGEN

EXHIBITION Nationalmuseet - The National Museum Tel: 45-33 13 44 11 Sultan, Shah and Great Mughal: exhibition locusing on the religion, history and culture of the world of Islam. Tha display includes exhibits from Danish museums and collections, together with

photographs and Illustrations; to Sep

DRESDEN

DANCE Sächsische Staatsoper Dresden Tel: 49-351-49110 Rot und Schwarz: a choreography by Uwe Scholz to music by Berlioz, performed by the Ballett Dresden, 7pm; May 18

HAMBURG

CONCERT Musikhalia Hamburg Tel: 49-40-346920 Konzert der Tenöre: a programme of songs and arias from famous operas, performed by the tenors Gor Arsenian, Hei Hai-Tao. Nam Du Kim, Amo Raunig and Raffaele Vitagliando; 6pm; May 18

■ HELSINKI CONCERT

Opera House Tel: 358-0-403021 Orchestra of the Finnish National Opera: with conductor Raif Gothoni and pianists Ralf and Maris Gothoni perform works by Mozart and Schubert, 7pm; May 19

■ LONDON CONCERT

Royal Festival Hali Tel: 44-171-9604242 Prague Symphony Orchestra: with conductor Jin Belohlavek and cellist Ralph Kirshbaum perfort works by Martinu, Dvorák and Elgar, 7.30pm; May 19 St. Martin-in-the-Fialds Church Tel: 44-171-9300089

The Feinstein Ensemble: with conductor Martin Feinstein perform works by Mozart and J.S. Bach;

7.30pm; May 18 Wigmore Hall Tel: 44-171-9352141 John Williams and Timothy Kain. the quitarists perform works by Houghton, Westlake, De Falla, Granados, Soler. Albéniz, O'Carolan/ Garcia, Brouwer, Vardery and Hand; 7pm: May 19 EXHIBITION

Design Museum Tel: 44-171-3786055

 100 Masterpieces. Furnitura that made the Twentieth Century: exhibition featuring 100 pleces of twentieth-century fumiture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E1027 by Eileen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily by Marcel Breuer and the Well Tempered Chair by Ron Arad; to Oct

■ MELBOURNE EXHIBITION

National Gallery of Victoria Tel: 61-3-92080222 J.M.W. Tumer: exhibition of approximately 60 paintings and vatercolours by the English landscape painter Joseph Mallord William Turner (1775-1851); to Jun

■ NEW YORK

CONCERT Carnegie Hall Tel: 1-212-247-7800

American Composers Orchestra: with conductor ingo Metzmacher and violinist Elmar Oliveira perform works by Taylor, Wuonnen. Singleton and Varese; 3pm; May 19

EXHIBITION

Whitney Museum of American Art Tel: 1-212-570-3600 Willem de Kooning's Door Cycle: exhibition reuniting a series of paintings created by De Kooning in the mid-1960s. The series consists of individual female figures painted on hollow-core wood doors accompanied in this exhibition by tracings and oil transfars of the door images; to May 26

PARIS

CONCERT Salle Gaveau Tel: 33-1 49 53 05 07 Thomas Allen: accompanied by pianist Malcolm Martineau. The baritona performs songs by Beethoven, Brahms, Mussorosky Butterworth, Somerwell, Britten and Hughes; 8.30pm; May 20 Theâtre du Châtelet Tel: 33-1 42 33 00 00

 Chamber Orchestra Stockholm: with conductor Esa-Pekka Salonen and soprano Faye Robinson perform works by Lindgren and Schoenberg; 8pm; May 20 EXHIBITION Galeries Nationales du Grand

Palais Tel: 33-1 44 13 17 17 Les années romantiques 1815-1850; axhibition of some 180 paintings and watercolours by French artists, created between 1815 and 1850; to Jul 15 OPERA

L'Opera de Paria Bastilla Tel: 33-1 44 73 13 99 Manon Lescaut: by Puccini. Conducted by Sebastian Lang-Lessing and performed by the Opera National de Paris. Soloists include Miriam Gauci, Jean-Luc

Chaignaud and Fabio Armiliato; 3pm; May 19

■ ROME

OPERA Teatro dell' Opera di Roma Tel: 39-6-481601 La Sonnambula: by Bellini. Conducted by Patrick Fournillier and performed by the Opera di Roma. oloists includa Kathleen Casselle Bruce Ford and Roberto Scandiuzzi; 8pm; May 18, 21 (8.30pm)

■ TOKYO

CONCERT Kioi Hall Tel: 81-3-32370061 Maria João Pires and Augustin Dumay: the pianist and violinist perform works by Schubert, 7pm;

■ WASHINGTON

CONCERT Concert Hall Tal: 1-202-487 4600 José Carreras: accompanied by pianist Lorenzo Bavaj. The tenor performs songs from operas by Verdi, Bizet and others; 7pm; May EXHIBITION

National Gallery of Art Tel; 1-202-7374215 Harry Callahan: this axhibition of approximately 125 photographs examines Harry Callahan's contribution to American

photography; to May 19 Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441

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18.00 Financial Times Business Tonight



Philip Stephens

Divided we stand

Clashes of ego are nothing new in politics but differences over fundamental points of policy are a danger for Labour

Tony Blair is feeling sore. He has prospered amid the dis-cord in John Major's govern-ment. Now the airwaves are absurd but convenient supposition that evaryona must agree on everything. Inevitsfull of the feuding in Labour's shadow cabinet. This is imporbly ministers or their shadows occasionally speak the discor-dant truth. Gotcha! We have a tant. Until now the opposition has been responsible for nothsplit, a rebellion, a conspiracy. ing more than organising a It is the oldest trick. Pretend they are saints and all their few glitzy press conferences. Soon it may be running the sins are mortal. country. Look et the miserable state of the Conservative party and you understand

Mr Blair saw the dangers this week at one of those extravagant press isunches. He was there to promise a New Deal for a lost generation of unemployed, underexactly humming from the educated young people. Here were the specific policies, the substance, his critics had same hymn-sheet. demanded. The journalists in the endience had other mat-

ters in mind. Who was fighting whom In the shadow cabinet? Was Gordon Brown, the shadow chancellor, on speaking terms with Peter Mandelson, one of Mr Blair's closest allies? Why had John Prescott, the deputy leader, publicly attacked Mr Brown's plans to revamp the Treasury? And wby had Mr Brown told Chris Smith, the social services spokesman, to rewrite his plans for reform of the welfare state?

Mr Blair's response came through as gritted a smile as 1 have seen in politics. The stories were nothing and nonsense, drivel, media invention. It was the Tories who were ideologically riven. A few hours later he told the shadow cabinet to cut the squabbling and stop the briefing. Mr Blair cannot have it both ways.

Of course, the media is mischievous, frequently prone to hyperbole and, sometimes. downright malice. We are in an age of personality politics. The style of reporting at Westminster is calculated to amplify clashes of egos and ambitions. It is a game played for big headlines and higher sales at the news-stands.

The process ignores the reality that the parties have always been broad coalitions.

Tha latest shadow cabinet shenanigans are not to be dismissed so lightly, howevar. There is something going on. Mr Blair's colleagues may not be at war with each other. But these are early days. And it takes only a few conversations to discover that they are not

in part it is about the antici-pation of power. Mr Blair is obsessively cautious about the outcome of the general election. Others are complacent. all but certain of victory. Soon they will have their own Whitehall baronies. So they are measuring up their ministerial offices, jostling for position ahead of the power struggle in tha real cabinet.

Then there are the long-standing rivalries and jealousies, it is no secret that Robin Cook, the shadow foreign secretary, has never been persuaded of Mr Brown's grasp of economics. Mr Cook considers he would do a far better job. For his part, Mr Prescott finds himself in a curious limbo. He is Mr Blair's

So far Tony Blair has been skilful, staying on good terms with all the warring protagonists without playing them off one

against the other elected deputy but has no departmental portfolio. He must ensure that his voice is heard. And, like Mr Cook, Mr Prescott is not among Mr Brown's natural admirers.

These are the big three in Mr Blair's shadow cabinet. They know about power. And thay want it. One of those watches them week by week says that, together, they behave like threa...No, on reflection, that sort of lan-guage is not suitable for this newspaper. The tension between Mr

Mandelson and the shadow chancellor has different roots. Mr Brown feels that Mr Mandelson was less than loyal in the leadarship struggle which followed the death of John Smith. The relationship matters because they will play pivotal roles in the election campaign, Mr Blair, a good friend to both, has told them individually to put winning ahead of their differences.

None of this should surprise us. You would find the same tensions in most company boardrooms. Sometimes they are creative, sometimes destructive. And, against the backbiting, intrigue and sheer treachery which fractured Harold Wilson's cabinets during the 1960s, the present bunch looks like a wellbehaved Sunday school.

Where such clashes of egos and ambitions become dangerous is at the point when they connect with fundamental differences of policy. Thus the Wilson cabinet disintegrated in battles over devaluation and industrial relations. Thus Margaret Thatcher's relationship with Nigel Lawson and with Geoffrey Howe broke over policy towards sterling and Europe.

Herein lies the threat for Mr Blair. Put aslde the personal rivalries and the posturing ahead of the annual shadow cabinet elections (which Mr Blair would like to, but may not be able to, scrap) and public spending and the role of Treasury emerge as the real battlegrounds. If there is anything that will divide the

next Labour government it is economic policy. Chris Smith and his spend ing colleagues are waking up to the realisation that when

the shadow chancellor insists on "hard choices" he means it. Mr Brown knows the outlook for public borrowing is dire. Treasury officials are already drafting briefs recommending that an incoming Labour chancellor should raise taxes. So Mr Brown has no intention of handing out the odd £500m here or £1bn there to make life easier for his colleagues -

either side of the election. It is this embrace for fiscal orthodoxy that has put him at odds with Mr Smith, and with David Blunkett, the education spokesman, ovar reform of child benefit and the welfare state. They see him trampling over their turf. He sees them as unwilling to take tough decisions. And it is Mr Brown's determination that the Treasury has unchallenged suthority in a Labour administration which so alarms Mr Prescott.

How this all develops will depend on Mr Blair. So far he has been skilful, staying on good terms with all the protagoniats without playing tham off one against tha other. He has displayed nona of Mr Wilson's Machiavellian insecurity. Perhaps his rela-tionship with Mr Brown will never recover fully from the trauma of the succession. Some detect signs that the two men disagree on a single European currency, Mr Blair is doubtful Britain could join in 1999. Mr Brown seems more hopeful. Echoes there of Mrs Thatcher and Mr Lawson.

But the Blair/Brown axis remains the closest alliance in the shadow cabinet. On the central questions of economic management there is not a cigarette paper between them. If Mr Blair is serious about leading a different sort of Labour government, he needs Mr Brown. For now and the foreseeable future the two men stand or fall together. It might be different after a few

·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be fixed to 44 77 87 59 8 means to fine), a mail: letters editorest com Translation may be available for letters written in the main anti-material land.

'Shock therapy' works, if properly implemented

From Dr. A.N. Illarianov. Sir. Prof Georgy Skorov attempted in his letter of May 7 to prove that a gradual sporoach to economic reform is superior to the shock therapy applied in Russia Rowever his arguments simply proved the opposite.

It is not only small countries, like Estonia and Slovenia, that are examples of the success of radical reform. Tha Czech Republic (10m population), Poland (39m), Vietnam (74m), and China (1.2bn) also do quite well, due not to their size but to the right policies being

To ascribe Estonia's achievements to "windfall profits from re-export of from Russia" is a myth. The

fourth largest exporter of aluminium, worth \$2.2bn, was Russia. Estonia was not even among the top 50 biggest aluminium exporters. And If metal exports boost growth, why would they do so in tonia and not in Russia? In fact, in 1992-93, when metal exports represented 5.1 per cent of its gross domestic product, Estonia experienced a sharp economic contraction while in 1994-95, when they represented 4.5 per cent, growth resumed. There is no positive correlation between a country's wealth of natural

It is a mockery to champion the gradual approach, as with the Czech Republic and Slovakia, against Russia's

choice of "rapid reforms". Hungary moved gradually, but government spending is still so high its budget deficit has jumped to 9 per cent of GDP. Foreign debt has soared to \$30bn (\$3,000 per capita) and total debt service has rocketed to \$7.5bn a year. Last year. growth declined to 1.5 per cent. Meanwhile, "shock therapists" (Estonia, Czech Republic, Slovenia, Lithuania, Slovakia, Armenia, Poland, Albania, Vietnam and China) showed growth rates of between 3 and 11 per cent a year

resources and its economic contradictory. That is the outcome. It is not "shock

Compared with Hungary, Russia's path to a market economy was, in fact, much more gradual, inconsistent and reason for the disappointing

therapy" that should be rebuked but the Russian authorities, who talked of shock therapy but implemented gradualism

The second secon

The lesson to be drawn is that where radical. transformation took place it drew strong public support, but where it did not there was deep social frustration. Another lesson is that observers should not just take authorities' statements on trust, but should consider their actions, too.

A.N. Illarionov, director, Institute of Economic Analysis. Slavyanskaya Sq. 4. Moscow 103074, Russia

Names must face gamble

health.

From Mr James Hodgson. Sir, Your leader "Recovery path at Lloyd's" (May 13) is a shameful piece of Lloyd's propaganda. In reality the offer nefits only Lloyd's operators because it is they who will face ruin if the external Names give it the thumbs down. Lloyd's senses that this is the time for another final "final" offer because some of the action groups have said that the external Names are war-weary.

That is not strictly true. The bait to accept the offer is "finality". Equitas does not offer finality, only the possibility. It is a gamble which will make us worse off than we are now if it fails.

The external Names will pick up the tab, because the idea of the offer is for Lloyd's to put itself out of reach of past losses, to entice the corporates to join and replece the Names who have been rocking the

We have to give up the right to litigate, Lloyd's would love this. If the offer goes down, who stands to lose? The answer is not us, but the brokers, agencies, underwriters, euditors and others who have flourished

during our misery and will make more money if they can

get rid of us. The evidence is there. Suddenly the cost of Equitas is almost halved, the auditors are finding £100m and another £200m-£300m is coming somewhere from Lloyd's. It is a charade which would be laughable if it were not so serious. The Department of Trade

and Industry issues threats. Why would it do this if it was not worried about its own skin? It has no need to worry. nor do we because Lloyd's self-interest is at stake. But suppose this is wrong. Suppose it goes down? This would be the chance overnight for the DTI to clear out the rotten apples and appoint the new blood Lloyd's needs for genuine recovery.

Thus, with a thumbs down we either get a proper offer on our terms or, because they could not survive the loss of face for failure, the old guard has to go. Justice will be done elther way.

James Hodgson, 8 Medina Terrace, Hove, E Sussex, UK

Proposals for dealing with crime miss root of problem

From Mr Geof Raymer. Sir, I read Michael Prowse's article "Paying for crime" (May 13) with great interest, though with little enthusiasm for his

recommendations. On the one hand, he sympathises with the US "lock them up" strategy; on the other he calls this policy "mindless" and wants e more imaginative approach" to punishment. Neither route, I fear, will be effective in reducing crime or

its impact. What is clear is that in states with the most repressive legislation, like California with its "three strikes" legislation, spending on prisons is now undermining education, with potentially serious results for its "high tech" industrial image.

According to tha US think-tank, the Rand Corporation, spending on prisons in California is set to double by the year 2005; given that enrolment in schools will also increase by 30 per cent over the same period, this means that California, which already spends below the national average on education, will have to turn away

students from state universities and colleges. Rand estimates that more than e quarter of a million people will the D

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be affected. Prowse admits thet repression, plus or minus his ideas for restitution of victims, does not address the social roots of crime. Unfortunately, neither the current crop of US politicians nor the UK'a home secretary seem able to consider the prevention alternative. perhaps because this lies outside their repressive, tough on the criminal"

In California, one potential consequence is that some young people, denied further: education and a sense of e career, will turn to crime. Of course, another group of

young people will find jobs as the employees of California's burgeoning prison system. Geof Rayner,

secretary The Public Health Alliance, 138 Digbeth, Birmingham B5 6DR,

Europa · Pauline Neville-Jones

Don't blame the Europeans

Claims from the moving towards partition in Bosnia are offensive



sideswipes between policymakers find tbeir mark even if those on the receiving end are reluctant to

admit it. But the essertions made by Richard Holbrooke, US negotiator at Dayton, in the May 20 issue of Time magazine about European policy towards Bosnia is not one of those occasions. He has gone over the top and risks damaging an effec-tive US-European joint endeavour. I write in the name also of my fellow negotiators, Jecques Blot of France and Wolfgang Ischinger of Germany. In an article which makes important points about the challenges still facing the international community and local leaderships in the implementation of the Dayton peace

agreement, Mr Holbrooke makes two assertions which do not stand up. First, he claims that certain (unnamed) important Euro-pean officials, while apparently continuing to support the objectives of the agreement. are "privately writing off Dayton's political provisions and preparing the ground for de

facto partition next year". This charge is as unrecognisable as a description of policy being carried forward in European circles as It is offensive to the integrity of those involved. There is no evidence to support the thesis that Enropean policymakers are moving towards partition.

Indeed, it would be an odd objective to aim at. This is our continent. We, as Europeans, have at least as strong a stake as the US in securing stability and prosperity in a part of Europe which has been a victim of the break-np of the cold

We are far from convinced of the reality of the choice implied in Mr Holbrooke's comment that to Europeans "a divided country might seem preferable in the ahort term than a resumption of war".

In our view, a ewitch to the partition track now could easily lead in the short term to a



Europe's burden: a Swedish peacekeeper near a Tuzia minefield

resumption of fighting. Europeans want the Dayton agreement to succeed on its own terms and are making very considerable efforts to this end. These range from bearing our share of the costs of the Implementation Force (Ifor) - of the 55,000 troops Involved in Bosoia, roughly 28,000 come from European countries (not including Russla) and 18,000 from the US.

Europeans bear, by far, the largest share of the cost of economic construction. According to the World Bank, of the \$1.86hn pledged so far in economic aid about half comes from European sources, com-pared with \$282m from the US. Numbers are not the whole

story, of course. In many pollcy areas, Europeans are lead-ing the effort to knit the country together again. I can give two examples at different ends of the spectrum.
Tha European Commission

leads the unsung work to dis-mantle the present barriers to free passage of goods within Bosnia and create one customs service for the entire country.
Unglamorous. Painstaking. Difficult. Success is not likely to ettract attention – though its absence would. And the effort is indispensable to creating a united country. This small example is being multiplied many times over in other areas

of civilian implementation.

At the other end of the spectrum are the spectacular issues drawing much attention – none more so than the gauntlet thrown down before the world by Radovan Karadzic, the Bos-nian Serb leader. Despite being an indicted war criminal, he clings to power in Republika Srpska, purporting to sack his prime minister, Mr Rajko Kasagic, for co-operating with the international community.

Why has Mr Karadzic himself brought matters to a head? Because he could see a real Impact being made by the determined policy of destroying his power base, espoused by Carl Bildt, the international community's High Representative who leads civilian implementation of the peace accords in Bosnia-Herzegovina. Mr Holbrooke points to the relevance of the removal of Mr Karadzic and General Ratko Mladic to attaining the goal of a unified Bosnia. We agree.

Mr Holbrooke's second assertion is that civilian implemen-

tation compares unfavourably with the success of military implementation under US leadership. The structures of tha former, he says, constitute a former, he says, constitute a messy, ineffective arrangement insisted oo by the Europeans", creating "multipla chains of command and little enforcement authority". Messy, yes. Ineffective, we shall see, though certainly not

straightforward. But insisted on by the Europeans? This is a travesty of the negotiating his-The European negotiators at

Dayton wanted two things in this area. First, an organisa-tion for civilian implementation which gave the individual charged with overall responsi-bility clear authority over the numerous international agencles necessarily involved. Under the present set-up they

operate autonomously. Second. we wanted the top job to go to a European - a not uniair objective, given the proportion of the effort likely to fall this side of the Atlantic.

Wa encountered resistance on both scores and were left wondering if the aim was to prevent any structure headed by a European having real authority. We agree with Mr Holbrooke that the compromise arrived at in the end game was somewhat less than ideal. It will need looking at before embarking on any further phase of civilian imple-

mentation beyond 1996. Given the hand daalt, the emarkable thing is how forceful a role Carl Bildt has been able to play. The continuing support of both sides of the Atlantic to his effort will be indispensable to the success of

the peace process. Since the signing of the peace agreement in Paris A December much hae baen accomplished on the civilian side of implementation. Anyone who visited Sarajevo at the end of the war and who goes there now will be struck by the strides made. Undeniably much remains to be done. Big challenges lie ahead.

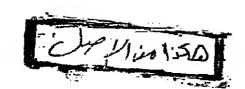
Economic reconstruction and the return to the country of the estimated 25 per cent of the 1991 population who became refugees in the war are only now beginning following the stabilisation of the internal security situation and the end of a long winter.

The next big task is holding genuinely free elections in all of Bosnia-Herzegovina. Creat-ing the conditions for these, including real freedom of movement, of association and of speech for a population still too scared to travel at will or speak out, will not be easy.

As a spur to further action, it is right to be frank about the difficulties that still lie in the way of success. But with determination and commitment all round, including from local leaderships in Respiratory. leaderships in Bosnia, they will be overcome. The opportunity to register our united stance will come at the review confer-ence in Florence on June 13-14. Transatlantic co-operation may not guarantee success. But we profoundly agree with Mr Holbrooke that discord would be the midwife of failure.

The author led the UK negotia-ting team at Dayton and is now a senior adviser to Carl Bilds.





FINANCIAL TIMES

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A risk-free asset

The US Treasury's decision to issue inflation indexed bonds is a sensible practical step, long advocated in these columns.
If properly constructed, indexed

treasuries will serve a number of purposes. They will provide as close to a risk free asset as dollardenominated investors are ever likely to get - a benefit for pension funds as well as the individual investors at whom the new issues are apparently to be targeted. They will save a significant amount of money: based on UK experieoce as much as a full percentage point of debt service.

By offering a guide to the market's implicit expected inflation rate, they provide an additional tool for setting monetary policy. And hy establishing a form of US government borrowing in which the cominal interest rate rises wheo inflation increasas, they remove the attractions of defaultthrough-inflation for at least some of the government's debt.

There are two cautionary ootes to sound, however. The first is the importance of getting the details right - in the structure of the instruments, the issuance techniques, the choice of inflatioo index and even such minutiae as the timing of the indexation adjustment. The eight-month lag in the adjustment of UK indexlinked gilts is an undoubted draw-

back, for example The second is that such instruments, however attractive they may be to the government issuer. to the monetary policymakers, and to the cautious long-term

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investor, will not get Wall Street's juices flowing. Today's hond investors look for capital gains as much as yield, and they thrive on turnover and on the abrupt swings of sentiment sparked by short-term changes in inflatiooary expectations. An ancillary indus-try of stripped and other exotic variants has been created.

Against such a background, an index-linked instrument is by definition a boring asset. Just as UK index-linked gilts teod to vanish into long-term portfolios, rarely to emerge, US inflatioo-protected treasuries will also change hands less often than convectional bonds. Hot-shot money-managers will rarely trade them; gurus will rarely be heard singing their praises. They will form a portion of some of the dullest portfolios and feature in the worthier analy ses of inflatiooary expectations and monetary policy.

None of that need matter. As long as there is just enough trading activity - as there is in the UK to create the perception of an adequately liquid market, the US government will he able if it chooses to issue a steady flow of inflatioo-protected instruments. In the UK, the proportion has now risen to more than 15 per cent.

Such a scale of issuance is more than enough to achieve worthwhile savings oo government deht, to meet the oeeds of those investors for whom inflation protection is important, and to provide a helpful signal for monetary policy. The new instruments

Memory loss

Anniversaries are either much celebrated or studiously avoided in modern China. May 16, the day recognised as the start of the Cultural Revolution in 1966, was an avoided anniversary yesterday. The Cultural Revolution was Ten Years of Chaos orchestrated by the Gang of Four, or at least they are the slogans used by the Communist party to explain away responsibility for the tragedies which touched hundreds of millions of hidden behind the shame of the persecutors and the silence of the persecuted, which includes the many stripped of dignity, if not actually physically abused.
In an era when revolution has

become unfashionable, it is difficult to imagine the motives of Mao Zedong in his quest for a "perma-nent revolution". He allowed the growth of a grotesque cult of personality that gave supernatural powera to surgeons or factory workers who allowed the Little Red Book to guide their hands. The revolution turned out to be temporary, but the scars of the social manipulation have yet to heal. The Communist party is still unable to confront the past. One reason for that reluctance is the survival of elderly leaders whose reputation would auffer if their role during that decade was subject to the harsh light of critical

The prospect of a South African-

ceptable to many other Chinese Part of the truth is that the chaos of the period was a cover for the settling of old personal grievances or a sudden career opportunity for the ambitious. Then there is the torment of memory suffered by millions of honourable individuals who witnessed injustices but did

Along with personal credibility, the Communist party and its ide-ology were undermined, opening which have provided life choices most Chinese would have thought unimaginable in 1976, when Mac died and Deng Xiaoping began to rebuild his profile within the party. That economic liberalism worked was quickly obvious to a deprived people who had been told that it is "better to be red than expert" and were offered slops in grim communal kitchens.

But the remarkable development of the last two decades has taken place in a country yet to come to terms with its immediate paat. Academics are permitted narrow fields of study that keep the Communist party out of firing range. Makers of films, at least those screened in China, are able to show some of the auffering without seriously addressing its causes. China needs to look at itself in the mirror. Without that self-examination, a country that survived the Cultural Revolution will struggle to cope with the

style Truth Commission to sort out the past would also be unac-Dole's surprise

A year ago anyone wishing to place a bet on Bill Clinton's realection could have done so at sharply divide his own party. very favourable odds. Then there was a moment in early March when many pundits were close to writing off Bob Dole's bid for the Repoblican nomination. In the event he secured the nomination, hut in the last few weeks it has become fashionable to speculate on the number of Republican senators and congressmen he will drag down to defeat with him.

To say that Mr Dole's renunciation of his Senate seat has now put him back in the race would be wrong, for two reasons. First, it is not clear yet that this move has changed the dynamics of the campaign. Secondly, it was premature to assume that Mr Dole was ont of the race before he made it.

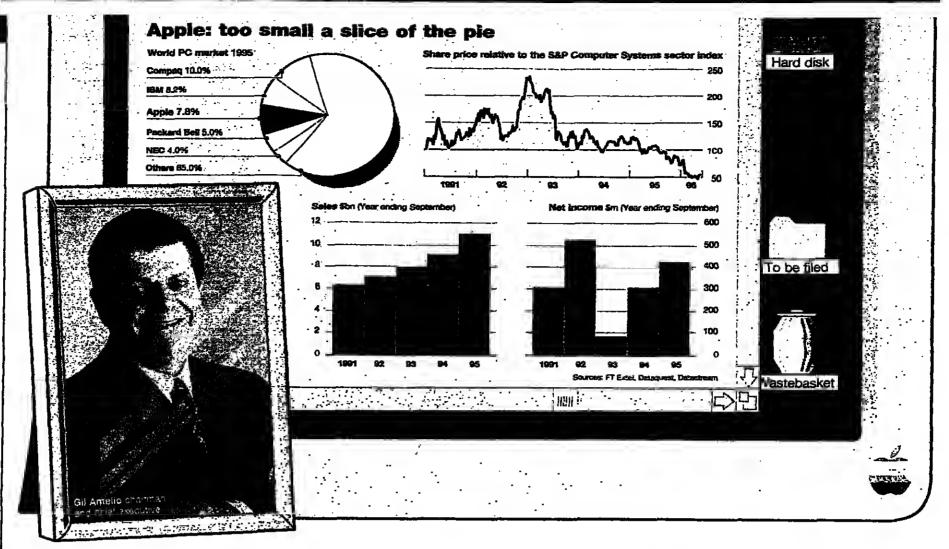
Mr Clinton, it is said nowadays, is an indifferent president but a snperb candidate. But the two functions are not really separable. If he now appears a strong candidate, that means voters think he is not such a bad president after all, at least when measured against available alternatives. Convarsely, if something goes badly wrong with his presidency between now and November it is eminently possibla for him to lose.

What is wrong with Mr Dole? He is old. Ha is a quintessantial Washington insidar. He often mumhles incoherently when an inspiring soundbite is needed. And this sporadic aphasia clearly reflects unwillingness, or inabil-nearly six months left to run.

Those are real weaknesses, hut they are not of the type that would stop voters turning to Mr
Dole if Mr Clintoo again began to
look hopelessly incompeted or
disreputable - if, for instance,
growing numbers of US soldiers
were killed in an apparectly uncontrollable degeneration of the Bosnian peace process; or perhaps if the Whitewater affair took an unfavourable turn. Even then, confide their destiny to someone seen as an extremist, like Barry Goldwater in 1964 or Pat Buchanan now. But they would proba-hly turn with relief to Mr Dole as a man of sound moral character and long experience, whose natural home is clearly on the moder-

ate wing of his party. In hreaking away from the Republican majority in Congress, oow seeo as extreme and fractious, Mr Dole has done something necessary though not sufficient, to revive his candidature. In resigning oot only the majority leadership hut his Senate seat, he has for ooce caught the public imaginatioo with a grand gesture, and so regained the initiative al least momeotarily. And with the help of a new speechwriter be also showed that he can sometimes strike the right oote. He is oot "hack in the race". He has reminded us that the race has

COMMENT & ANALYSIS



Amelio's Apple turnover

After 100 days in the job, the chairman has now set out his radical survival plan for the ailing computer company, writes Louise Kehoe

il Amelio means hustness. After 100 days at the helm of Apple Computer, the struggling personal computer industry pioneer, he is impos-ing some old-fashioned discipline in a company renowned for its count-

Deliberately flouting Apple's vaunted casual dress code - which created the "business casual" fashion - the chairman comes to work in a conventional suit and tie. It is a signal to Apple's employees, he says, that it is time to "get serious about running our business".

The changes, however, go far beyond trading T-shirts and jeans for pinstripes. This week, Mr Amelio announced a reorganisation of is into divisi that will each be responsible for their own financial performance. "A year from now, Apple is going

to he a very different company ... noticeably different," he says. His most important priority is to return Apple to profitability. Last month the company reported losses of \$740m (£486.80m) for the quarter to March 29, including a \$388m write-off of excess stock and a series of restructuring charges. Sales, at \$2.2hn, were down 18 per cent from

the same period last year.

Mr Amelio, formerly chief executive of National Semiconductor and a memher of Apple'a board, was drafted in to lead the company in Fehruary, after the departure of Michael Spindler, who took the blame for Apple's decline. As he tries to knock the company

back into shape, Mr Amelio spares few punches. "Apple is at a cross-roads," he says. "One road leads to prosperity...[the other] a alow decline into irrelevancy."

The outcome will depend on "how well this organisation can...set

aside individual agendas and united rediscover the elements of greatness that led us to the forefront of this industry".

Such comments reflect his wish to change the culture of a company where employees have felt free to question management decisions or even defy them. Now he is insisting on a more conventional approach to managements, in which

managers respond to his edicts.

Those who have business dealings with the company have already noticed a difference. "In the old days at Apple, you had product managers who would veto what the CEO said, but not any more," says Mr Alan Lefkof, chief executive of Farallon Computing, a developer of PC application programs.

streamlined the company's Macin-tosh product line, which represents about 80 per ceot of revenue. The range of some 82 products is to be cut to about 40 during the next 12 months. "After that, I will set a new (lower) target," he says.

By eliminating multiple products

with differing circuit-board designs and components, Apple will reduce total costs by 15 per cent, he says.

The decision may help improve profit margins, but nonetheless it is controversial. In the past, the com-pany has offered a wide range of Macintosh models aimed at particular segments of the PC market such as education - the range will now have to be much smaller.

Apple may also lose the ability to respond quickly to the development of new components such as faster microprocessors or higher-capacity disk drives by adding oew models to the range. This would put it at a disadvantage in competing with leading manufacturers of PCs run-ning Microsoft Windows which typi-cally upgrade products at least twice a year. Another of Mr Amelio's edicts has been to stop Apple software developers working on proects that compete with those of independent companies developing Macintosh software. This is designed to boost third-party development of new programs for the Macintosh, which is critical to

As a further attraction to tha independents, Mr Amello told a gathering of some 4,000 software developers on Monday that during the next 12 months he will spend \$20m on co-marketing programs with them. In return, Apple will be seeking commitments that they will release new programs for the Macintosh simultaneously with ver-sions for competing Windows PCs,

often the case now.

owever, this will iocrease Apple's dependence on software companies which have preferred to put most of their resources into developing programs for Windows PCs, which account for more than 90 per cent of the world market. It also raises questions about Claris, Apple's successful software division which produces programs for both the Macintosh and Windows PCs. Asked whether it will be sold, Mr Amelio simply says: "We are considering all options."

Industry analysts point oot that the only sure way to win software developers' support is to increase the potential market for their programs. The company will do this, Mr Amelio says, by "aggressively licensing" its Macintosh technology to other computer manufacturers.

However, this has been Apple's stated policy for more than a year -and only a few small computer

manufacturers have signed up to build Macintosh clones so far. Most leading PC manufacturers have rejected the idea, according to todustry analysts. Mr Amelio seemed to hava achieved a breakthrough when be

announced on Monday that Apple and International Business Machines are jointly developing a notehook computer which both companies intend to market. But its potential may be limited

as it is understood to he a pocket-sized computer aimed at Asian markets. IBM also confirmed this week that it still has no plans to offer mass-market PCs capable of running Macintosh software. Even as Mr Amelio tries to bolster Apple's core Macintosh husi-

"I have a dream," he said, "that Apple can fulfil its destiny to bring computers to the rest of us, the nontechies, through technology that is powerful yet elegantly simple."

In the short term, this will mean incorporating programs in Macintosh software that allow users to access the Internet. Looking beyond the present Internet frenzy, however, Mr Amelio believes the next "megatrend" will be "digital appliances". He envisages a range of gadgets for the kitchen or living room such as smart telephones, pocket computing devices and games machines. He has created a new product division and redeployed some of Apple's research and devel-opment efforts to build prototypes.

Only about 7 per cent of the world's population uses a computer. or has access to one," ha says. "Within five years, this may rise to 15 or 16 per cent. But what about the other 85 per cent?"

"This is the hig opportunity for Apple," says Tim Bajarin, president of Creative Strategies, an industry

consulting group, Mr Amelio has recognised, he believes, that Apple's strength lies in its ability to make technology easy to use, rather than in the cut-throat PC market.

Apple missed its opportunity to establish Macintosh technology as a standard for desktop computing ten years ago, Mr Bajarin says. But he believes there is an opportunity for it to seize a lead in the emerging market for digital appliances.

The challenge for Mr Amelio however, is to reinvigorate Apple'a core business at the same time as he pursues new opportunities. This proved tha downfall of one of his predecessors, John Sculley, who was Apple's chairman and chief executive from 1983 to 1993. He resigned after launching the

a hand-held device that "read" handwritten notes. The aim was to create a new category of products for Apple. But the Newton failed to live up to expectations and Mr Sculley was accused of neglecting the personal compoter business.

With Apple's Macintosh husiness now in decline, Mr Amelio cannot afford to wait too long for long-term visions to materialise. But he remains confident that he can restore the company's fortunes.

whether Apple will survive," he saya. "But a year or so from now, they will look back at this period in Apple's history and ask what the fuss was all about."

In the meantime, however, Apple has some difficult times ahead. It will be another six months or so before Macintosh sales begin to pick up, Mr Amelio predicts, and proba-hly longer before his plans for "digital appliances" materialise. "I wish mooths, but we don't have that lux-

OBSERVER

Old man tributaries

■ Times were that Repoblicans were an endangered species in Mississippi. But it has been the most Republican state in the union for more than 20 years, and Boh Dole's departure from Congress underlines just how important its personalities have now become to the Grand Old Party.

The principal contenders for his joh as majority leader are the two Mississippi senators, Trent Lott, now Dole's deputy, and Thad Cochran, Chairman of the Republican national committee and hoping to do for Dole what the late Ron Brown pulled off for Bill Clintoo in 1992 - is Haley Barbour, whose accent is equally unmistakeahle.

There may be a little bit of animus between Lott and Cochran. Though both were first elected to the House in 1972. Cochran graduated to the Senate in 1978, 10 years before Lott, only to he overtaken in the party leadership hierarchy by his junior colleague.

Of course, if Cochran decides that he wants to play it rough, he could choose to remind all and sundry that Lott's best known protégé from his days in the House is a certain Newt Gingrich, the Speaker and probably the most unpopular Republican in the

But that might not be fitting for

Muscle-bound

a southern gentleman.

■ It seems that there is oow a thriving collectors' market for Olympic memorahilia. A silver medal from the 1904 games is now worth at least \$15,000, while one of the rarest artefacts - e handwritten, coloured and bound book on the 1938

Olympics, from the library of a certain Herr Schickelgruber - has changed hands for almost \$10,000. Not that the sordid world of commerce is intruding opon the clean-cut, first-to-breast-the-tape amateurism of the games themselves. Well, not much. So we may perhans excuse the Atlanta Olympic committee for offering a limited-edition set of five gem-encrusted Olympic pins for

\$50,000, or tempting us with an 18-carat gold Theo Faberge egg, at Next thing you know they'll be flogging a platinum-studded statuette of some hairy weightlifter. Purely in the interests of sport, you understand.

Miraculous Mikhail Oh dear, you would think he'd have more commonsense. Out on the campaign trail for the Russian

presidency is Mikhail Gorbachev.

You remember the guy - burly, hig

smile, prominent birthmark. Nobel Peace prize winner 1990... you know, that bloke who ran the Soviet empire until Boris Yaltsin

shouted at him. Anyway, despite the fact he

lacks the support of a major party
– and is expected to poll at most
two per cent – Gorbachev is trying to become the president, elections for which are scheduled for June He should sack his speechwriter or maybe hire one. In Krasnogvardeisky yesterday

in the heart of his native Stavropol region - he came in for some fierce berracking. All part of the cut-and-thrust of democratic life, you might think, but Gorbachev obviously got a hit flustered. "I will fight to the bitter end and will not withdraw my candidacy, even if I am crucified." ha told his hecklers. "Some of you are so overexcited your hands are trembling. It reminds me of Jesus Christ on the way to Golgotha, when people spat at him," he added.

And the election is still a month awav.

Saline solution ■ Looks like ex-President Carlos Salinas is being displaced as menace is a phenomenon known as

chupacabra, or goatsucker. Throughout north and central Mexico peasants and farmers have found goats, sheep, and birds drained of blood, following an

encounter with a mystery

Some Mexicans are hlaming extra-terrestrials, others a creature supposedly combining the features of a bat and a dragon. In any case, the chapacabra shows no sign of

having quenched its thirst. Not that Salinas is entirely off the hook, safe in his self-imposed exile. The goatsucker reportedly has rather large ears, as does Salfnas. A gift to tha country's cartoonists and reporters, who have decided that such a coincidence cannot pass

Hell hole

■ A recent arrival at the gates of Hell was surprised to find that while there was only one heaven there were two types of damnatioo – communist and capitalist. As a former banker, he decides

to opt for the latter, and is handing over his gold cards and mobile phone when it rings one last time. It is a call from his father, a former stockbroker, advising his son to think again and join him in red Hell. The son is suspicious and wants to know why the communist

version is so much better. "It may not be paradise, son, but the gas and electricity have been off since last Wednesday and the central committee are still working on a five-year plan for pitchforks, even though it is over 20 years since Krushchev checked in."

Ginancial Times

50 years ago Plan for India

The plan for a union of India which was announced yesterday may or may not provide the means of breaking the deadlock between Congress and the Muslim League. Time will show. But the plan itself shows quite clearly that we, the British. intend to leave India to her own guidance as soon as possible, and is, therefore, a major event in British history. It marks the beginning of the end of that intimate association which has been for so long a cornerstone of the Empire, and from which both this country and India have eained much.

Chancellor on City Yardstick Second reading of the finance hill in the House of Commons: Declaring that the Chancellor of tha Exchequer [Mr. Dalton] seemed to have no respect whatever for economy, Mr. Brendan Bracken (who wound up for the Opposition), said we had an inflated Budget, an inflated currency, and an inflated Chancellor. (Laughter.) So far the Chancellor's proposals had been no check on inflation. They called him in the City of London "The Casino Chancellor."(Laughter.) At least they did until yesterday, but after the muddle he had created by the new issua of Savings Bonds gamblers were less happy about their hero.

EXPERT CORPORATE LAWYERS

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Yeltsin pledges to end conscription by 2000

By Bruce Clark in Brussels and Chrystia Freeland in Moscow

Russian president Boris Yeltsin yesterdey ordered a radical change in the world's secondlargest standing army with e decree to abolish conscription by

The move is a sharp change of course for Mr Yeltsin, whose government last year extended the term of obligatory military ser-

Bnt the dreft has become increasingly unpopular in recent months because of voters' fears their sons may be sent to fight in

A month ahead of presidential elections, the abolition decision is potentially a big vote winner for the president.
In an order which could end a

Russian practice dating back to Tsarist times, the Kremlin leader signed a decree laying down that from spring 2000, "the armed forces would be made up of voluntary, contracting citizens...with conscription aban-

Mr Yeltsin signed a second background.

By Michael Littlejohns

David Lascelles in London

lraq and tha United Nations

appeared close to agreement last night on limited sales of Iraqi oil

in the first substantial relaxation

of international sanctions since

deal unnerved the oil market.

which fears Iraq's re-entry will

lead to a iong term increase in

supply. Brent crude for July

delivery fell 60 cents in London

Share prices of oil companies

were also hit by the expectation of an Iraqi deal, with Sheil down

16p at 923p and BP falling 11p to

568p. US oli companies were

lower in mid-session trading in

New York yesterday. Chevron

Details of what was described

by dipiomats as a provisional

to close at \$18.90 a barrel

The rumours of an impending

in New York and

the Gulf war.

decree, effective immediately, according to which only volunteers may be sent to battle zones Many Russian soldiers now fighting in Chechnya are conscripts.

Most of Russia's defence chiefs

still appear to favour conscrip

tion, arguing that there will not be funds evailable for the foresec-

able future to form a first-class

One apparent exception is General Alexander Lebed, the ex-

paratrooper and presidential can-

didate, who has called recently

for a "leaner but meaner" army.

have to be approved by parlia-ment, which is presently hostile to Mr Yeitsin, but the greatest

obstacles are likely to he the

vested interests challenged by a

Some liberal analysts have

already dismissed Mr Yeltsin's

move as a pre-electoral offer

which will be forgotten the day

But military experts said the

decision could also signal the

start of a long-awaited shift to e

smailer, hetter equipped and more mobile defence force which

has been widely mooted since the

spiral, chasing higher volumes to

Iraq's proposed sales of about

The return of Iraq will pose a

challenge for Opec oil ministers

et their next meeting in Vienna

early next month because most of

them are already producing

above quota, and there is no

room for extra production.
Two main obstacles, which

may have been resolved in the

draft proposal, have been bow to

supply food and bumanitarian

aid to anti-Saddam Kurds in

northern Iraq, and whether the UN or Baghdad should name the

bank that would hold in escrow

The intention of the Security Council in approving the condi-

tional lifting of sanctions was to

funds raised by oil exports.

of food and medicine.

700,000 barrels a day compare to Opec's production total of 24.5m

barrels a day.

make up for weakening prices.

Moscow to steer currency

An end to conscription would

professional army.

radical overhaul.

after the polls.

fall of communism.

Although the measures could leave Mr Yeltsin open to attack from hardline nationalists, it is likely to undermine one of his rivals' most effective campaigntrail slogans, the warning that a vote for Yeltsin means the deeth of more unwilling Russian

The move also follows bitter complaints from the defence ministry about the difficulty of drafting youths to the armed forces, which still number nearly 2m compared with 3.7m two decades

The ministry said last month that only 20 per cent of the age group eligible for call-up was entering the army, with the remainder citing one of the 20 grounds for deferment or simply dodging the draft.

Of those who do come forward, an increasing proportion are medically unfit to serve, or unsuitable because of a criminal

UN moves closer to deal with

Iraq over limited sales of oil

draft accord were not disclosed

pending scrutiny of the tentative

document by Mr Saddam Hus-

In the negotiations, which

began in February, he has repeat-

edly emphasised that UN terms

for the export of up to \$2bn worth

of oil over six months must not

be so onerous as to offend the

country's sovereign rights. Mr Abdul Amir al-Anbari, the

Iraqi negotletor, told reporters

after the talks were suspended

late on Wednesday that a key

issue - which be did not identify

Some traders said yesterday

that the fall in the oil price was due more to the fragility of a

recent rally rather than rumours

of Iraq's return to the market.

However, there is some con-

cern that a UN deal measured in

volumes could depress the price

further. This is because Iraq

would be drawn into a downward

Bundesbank warns of threat from deficit

which had been anticipated.

remained unresolved.

sein, the Iraqi president,

face revolt over stance on Ulster arms issue

By John Kampfner in London

In an article in yesterdey's Irish Times, Mr John Major, the British prime minister, wrote

dent of Sinn Féin, the IRA's political wing, said last night there were "positive elements" But some of Mr Major's cabi-

net colleagues have warned him not to make further concessions to Sinn Féin shead of next month's all-party talks on Northern Ireiand amid deep unease within the cabinet and threats of revoit among backbenchers.

At least six Tory MPs beve warned privately they would consider resigning the party whip as a final resort. Since the Tories' have a majority of only one, any threat of rebellion, however couched, will not be taken

the opposition Labour party in a quandary, as it has made it clear it will not try to bring down the government on the issue. Both mein parties beve agreed a bipartisan approach to Ulster.

"Obviously we won't do any-thing unless the Unionist parties walk ont of the talks. We're looking for reassurance but it would be dangerous for the government to take our support on this issue for granted.'

Tory backbench Northern Ireland committee, expressed alarm at the possibility of the UK supporting an Irish proposal to separate arms issues from the heart

references to the arms issue.

Mr John Bruton, the Irish when it set off the first in a series of bombs in London

Major may

in Mr Major's remarks.

House of Lords and the most pro-Unionist minister, bas expressed

particular alarm over recent developments. He is understood to have told friends: "I consider myself etill a member of the government and I hope to remain so." Another cabinet member said: "There is a view at the top of the party that we have gone as far as we can - and no more."

Such a move would also leave

One Tory MP said last night:

In a letter to Mr Major, Mr

The reaction of Mr David Trimbie, leader of the Ulster Union ists, was more muted. He said Mr Major had been "ambiguous" in

Britain's ruling Conservative party faced warnings from its own members of parliament that it could face a revolt following an apparent softening of its approach towards the controversial question of arms decommissioning in Northern Ireland.

thet agreement had to be reached on how "decommission-ing can be taken forward withont blocking the negotiations".

And Mr Gerry Adams, presi-

Lord Cranborne, leader of the

lightly by ministers.

prime minister, weicomed Mr Major's remarks as "concliiatory". He appealed to the Irish Republican Army to restore the ceasefire it ended in February

THE LEX COLUMN

Beating inflation

For once, the US market is picking up e new trick from the UK; the US Treasury plans to start issuing inflation-indexed bonds. The UK experience has shown these to be a useful tool for long-term investors such as pension funds - and for the government, which has saved around 100 basis points annually on index-linked gilts.

Academic theory holds that, when inflation and currency risks are stripped out, there should be a single global real interest rate. Since infla

tion and currency depreciation should more or less balance out in the long term, index-linked yields should in theory be the same the world over. Not unusually, academic theory is wholly divorced from reality. The long-term real yield for index-linked gilts is around 3% per cent, in Australia it is 5 per cent and in New Zealand 6 per cent. True, the UK's much larger market cepitalisation of more than £40bn means it is much more liquid. but these are still big differentials.

The real yield on US index-linked Treasuries is likely to be lower still probably around 3% per cent, given the US government's better record in controlling inflation. Investors would then break even with ordinary Treasuries if infletion averaged around 3% per cent over the next 30 years. In the UK, investors in index-linked bonds are at break-even if inflation averages around 4% per cent. In both cases, that may make them look expensive though given the UK's poorer record. the premium is arguably better value. And both, in 30 years' time, could look

There are pienty of reasons why Iraq and the United Nations may yet fail to agree on limited releases of fragi oil, but the odds are shifting in favour of a deal. Even if they were not, however, oil prices look set to fall; an Iraqi deal would merely accelerate what is likely to happen anywey. Cold weather, combined with low stocks, has driven prices to remarkable highs over the winter.

But low stocks will mean higher voietility in both directions; as the market moves out of shortage, prices are bound to fall. As demand has boomed, production from Opec has surged ahead of quotas. And it is far from clear that many Opec members will be keen to agree to cut output as demand falls - especially since Opec's ability to prop up prices has been sharply reduced as a result of strong growth in output from non-Opec countries. Next month's Opec meeting could well be a messy affair. The question, in short, is

FT-SE Eurotrack 200: Brent blend crude, \$ per barrel

but how far. Either there will be an Iraqi deal, in which case prices would he hit quite severely - especially futures prices, because it would be some time before Iraqi oil started to

Alternatively, negotiations will drag on, implying yet more speculation hanging over the market on top of gloomier supply-demand fundamentals. Either would probably be had news for investors in oil chares, which have been buoyed by the strong performance of the spot oil price over the winter. Futures prices - December contracts are well below the spot price already tell e less rosy story.

Hanson

Hanson is making the most of its impending four-way split by clearing out awkward baggage from a more acquisitive era. The insupportable weight of the conglomerate's dividend pay-out will he almost halved, while profits will more closely resemble the performance of the business. This is all excellent news for the future. The trouble is that it underlines the sins of Hanson's past. One such problem is the legacy of

the unfortunate acquisitions of Peabody and Beazer, which saddled the group with £1.9bn of provisions. Hanson is belatedly recognising that some of Peabody's provisions represent an ongoing cash cost, and this will probabiy be taken off profits. But while that would improve the quality of stated earnings, Peabody's contribution would drop by around a third to about £130m this year - a poor return from a business which cost £2bn.
The interim profit figures further

supported Hanson's arguments for break-up. It suffered a free cash out-

flow of £450m, putting more pressure on the balance sheet. And the group is pursuing what for Hanson are novel concepts, such as global expansion and expansionary capital expenditure which will gain greater empha within the refocused group. US Indus-tries, the ragbag of US businesses demerged last year, demonstrates the potential for investors; its charge have risen 65 per cent since flotation. Nonetheiess, the aum of Hanson's parts seems to exceed the current price only when hid premiums are attached. Since the group has argued against pre-demerger sales, investors about probably wait.

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BTR

Old habits die hard at BTR. Even after the changing of the senior menagement guard at the UK conglome. ate, yesterday's disappointing trading statement - loosely translated as profits warning - remains a core per of the group's corporate weaponry. The complexity of BTR, with a myriad of operating subsidiaries, lends itself to surprises. But unlike the similarly byzantine General Electric of the 58. BTR's abocks have all been bad hence its 35 per cent underperform ance of the UK market in the lest two

Admittedly, there is nothing particularly shocking in the lastest trading update. Polymer Talwan is a crelical business going through a downtorn, while the sealing systems business has been held back by start-up costs for a new plant. Nonethaless, BTR has mede clear it will produce another set of flat earnings this year, despite the positive impact of a stronger US and Australian dollar. And investors will become even more rejuctant to take anything on trust.

This is unfortunate, since the new man at the tiller. Mr lan Strachen, the chief executive, is pointing the group on the right tack. Quality engineering companies trada at a substantial premium to the market, while BTR is trading at a 10 per cent price earnings discount, based on 1996 forecasts, And BTR is well-managed, with munerous fast-growing engineering businesses Mr Strachan is sensibly looking to: build up global businesses while simifling out the numerous subsidiaries that don't fit, This will clearly take time, but given BTR's lowly rating it abould be worth the wait. And in the meantime, it offers a dividend yield 50: per cent higher than the market aver

Additional Lex comment on British

Without us, wouldn't be the new world heavyweight champion.

The C-130], the new generation of the legendary Hercules, will soon start powering 21 ton loads skywards following its successful maiden flight. Commenting on Dowty's all-composite swept-blade propeller system and the Rolls-Royce Allison AE 2100D3 engines, Lockheed Martin's test pilot reported: "This new integrated system is a dream come true. The amazing thing is that the blade angles on all the engines all respond to the four power levers as if they were tied together. Even more Impressive is that the propellers provide approximately 10% more thrust at the same horsepower." This knock-out performance should ensure orders worth \$500 million to Dowty.

Dowty is one of TI Group's three specialised engineering businesses, the others being Bundy and John Crane. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



Sixty per cent intended to

Continued from Page 1

weaker at \$81%.

cent of bouseholds' total financial assets of DM4,648bn in this

(accounting for 16 per cent of their total assets) and savings and other interest-bearing deposits with banks (40 per cent).

form of investment

They continued to prefer bonds

Unit trusts made up e further 8

British Isles A cool north-easterly air flow will unseasonably low. Afternoon readings will only be 9C to 12C. There will be a lot of cloud but Scotland and Ireland will have surny spells and a few showers. A much warmer air mass over France will spread north preceded by overcast skies and

showers. Southern England and Wales will have rain and the Midlands and Northern England will be cloudy with patchy rain.

Continent A wavering frontal zone will

stretch from western France

across Germany towards Russia. Areas north of the front will be unseasonably cool while to the south, temperatures will

remain high, especially in

eastern Europe. The Iberian peninsula and France will have thunder showers, while high

pressure will promote surmy

Scandinavia will persist, with

Five-day forecast

thunder showers. Calm

South-west Europe will be rather unsettled with frequent rain or

conditions and abundant sun will prevail over Greece, Turkey and the Balkans with temperatures around 25C. The

Benelux, Germany and the UK will remain cool and unsettled

conditions over Italy, Greece and the Balkans. The very cool air that arrived in southern

per cent. The lio's survey of 334 mainly large companies found that 78 per cent expected sales abroad to grow more quickly

increase the sbare of foreign investment in total investment spending, against only 15 per

until 2000.

FT WEATHER GUIDE

The survey contained some

employment by 3 per cent this year and nearly 1.5 per cent in 1997, and to continue shedding staff, although et a slower rate, investment, which is expected

bleak news for Germany itself.

Companies expected to cnt

to jamp 7 per cent this year, will probably stagnete for the next

Situation at 12 GMT. Tempera maximum for day. Forecasts by Meteo Consult of the Netherlands

thund 24 fair 27 fair 23 fower 18 fower 18 fair 23 sun 25 hower 17 fair 35 fair 22 fair 35 fair 22 sun 20

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FINANCIAL TIMES SURVEY

PRIVATE EQUITY MANAGEMENT BUY-OUTS

Healthy supply of deals for investors

Although many good businesses have become available for purchase as a result of corporate restructuring, too much money in pursuit could lead to over-heating. Richard Gourlay reports

a familiar appearance to the management buy-out business. More money has been raised in the past few years than ever before. And more is being put into companies - the £8bn invested in the last four quarters is a record. and higher than in 1939 when the market last hit a peak.

On the supply side, the fashioo for corporations to slim down to their core husinesses shows no sign of abating. This. taken together with a high level of corporate mergers and acquisitions - which tood to d to the sale of businesses that do not fit in with the new organisations - means the supnly of deals for investors to pick over remains healthy.

There is no flaw in the logic that drives the business. Few people would now argue that the purchase of businesses by existing and new management is not potentially a powerful rejuvenating force. What Is more, there are clear signs that the businesses continue to flourish coce floated.

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According to a newly-created index set up by the Centre for Management Buy-out Research at Nottlingham University, buy-out companies floated since the end of 1994 bave recorded an increase of 28 per cent, compared with an 18 per cent increase by the Hoare Govett Smaller Companies

Index over the same period. It could be argued, therefore, that a large, slowly maturing husiness sector is continuing to do what it has done to great effect for much of the 1990s. First of all, it continues to revitalise parts of the British economy that the nations's big corporations have failed to reach. Secondly, particularly in

n the face of it, there is country's largest private equity investor. 3i, dominates, MBOs provide other parts of British industry with development capital at a time when they lack access to public mar-

> But there are some problems with this Elysian visioo For a start, the weight of available money has risen at a faster rate than the number of potential transactions. While considerably less capital was raised in 1995 than in the recurd fund-raising year of 1994, there is no shortage of funds, inevitably, this has nudged up the prices at which

> deals are being completed. The consensus among the most experienced denizens of the industry is that the market is in danger of over-heating - as it did in 1989, with disastrous consequences - hut that it has not reached that

> stage yet. Mr Robin Hall, macaging director of Cinven, the venture capital company and the most active investor after 3i in 1995, describes the market as "huoyant": Mr Stepheo Curran, managing director at Candover, a leading buy-out specialist, says that "activity levels are high. as are some prices".

> Mr Mike Stevens, corporate finance partner at accountants KPMG, is less circumspect. Whereas in 1994 few vendors of companies would have received a multiple of 12 times earnings for their businesses. purchasers are now paying up to 14 times. There is therefore much less scope for floating these companies at higher prices. Financiers have to be much clearer about the business's ability to increase its

leveraged buy-out funds, some

of which are taking an interest in large deals at high prices. KKR [the US leveraged huy-out specialist! did the buy-out of Reed regional news-papers (from Reed Elsevier, the Angle-Dutch group, for £206m) and knocked the socks off local investors, not to mention trade buyers," says Mr Stevens.

Another growing risk is that large investors are syndicating fewer of the transactions they lead, and less often. This follows 3i's decision to manage funds it has raised from institutional investors aloogside which it coinvests. So far, it has raised £175m of capital in this way for investment in MBOs and MBIs with a value

of more than \$10m. The move into fund management not only demonstrates an increasing focus on activities that have a direct benefit on earnings. It also means that 3i is no longer such a large net supplier of transactions to the syndications market - an act of largesse forced on it by its policy of out taking majority stakes in companies it backs, and one that was rarely fully reciprocated by competitors.

r David Shaw, managing director of Nat-West Ventures, says there is therefore a tendency for investors who find deals they like to hang on to them. The best example of this was one of the year's largest transactions, the Charterbouse financed buy-out of Porterbrook Leasing, the railstock company.

Charterhouse provided £75m of equity for the transaction which had a total value of £527m, but kept the entire transactine on its books. A few years ago it would bave syndicated the transaction, says Mr Gordon Bonnyman. Charterhouse director.

Of course, from a portfolio risk point of view, retention of more of the larger deals is another reason for concern hecause portfollo risk will slowly be spread across fewer



larger transactions.

Another new trend that highlights increased competition is the growth of a secondary market in MBO investments. These involve one MBO financier buying out another because the second has had to return funds it has raised before it could find a way of realising its investment. Often

as NatWest Ventures, which last month bought Causeway Capital's stake in Sheffield For-

While competition among equity investors has been hotting up in the UK, it was always thought that continental Europe would provide a new market. It may still one day become significant, but the pace of development has disappointed some UK-based inves-

overweight and massively in need of a re-do," says Mr Bonnyman. "They are exactly where Britain was a dozen

But according to Initiative Europe, which monitors European buy-out activity, and the Centre for Management Buy-Out Research, continental European buy-outs reached only £3.6bn in 312 deals in 1995.

deals in 1994. In the UK, the 1995 figure was £5.5hn.

Continental European midsized transactions present a less gloomy picture. in the German and Dutch markets, the numbers of transactions rose. But in none of the large continental markets did value increase

There is, however, a glimmer of the potential in Germany

in this survey

Management Buy-Ins: Significant growth area

Bought Deals: A shih from tradition

 Privatisation asse The railway industr

A satisfactory start

UK regions: Market has snowballe Exits: Upturn in new issue:

International perspectives The US, France Page 8

Exchanges set to multiply

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Ferranti Technologies Page 4 Crompton Lighting British Aluminium River and Mercantile Management Buy-out Fund

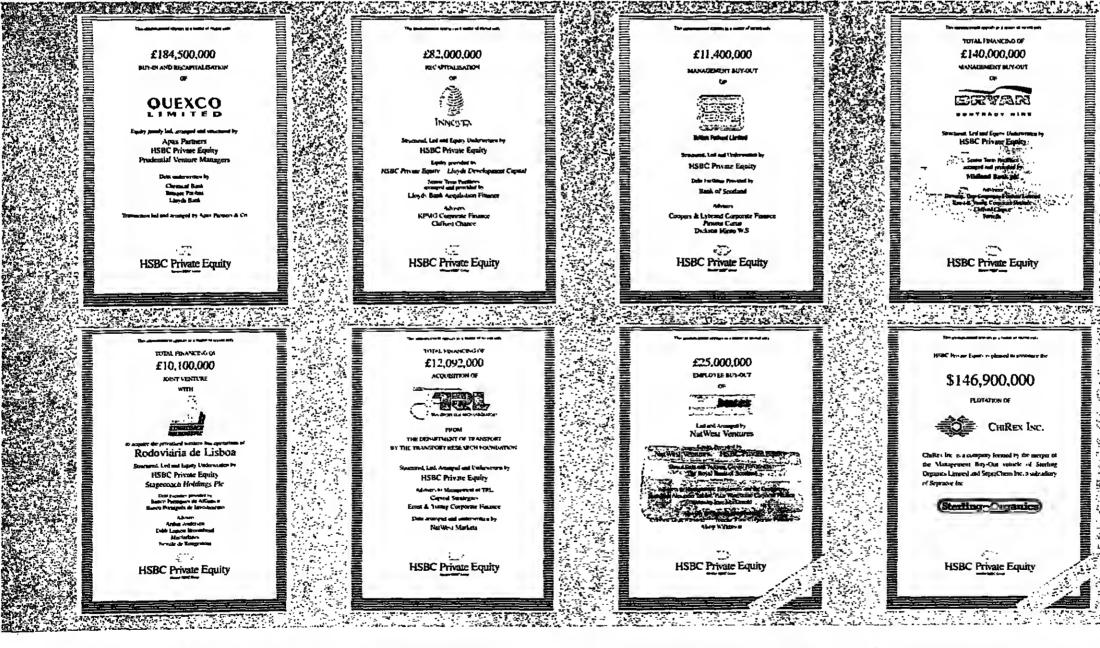
Page 6 Pagette Sanitar Page 9 Lowe Alpine

Production Editor:

Philip Sanders

Initiative Europe says many more transactions are derived from large corporations selling subsidiary or non-core businesses whereas in the past most investment was in the huy-out of family-controlled

If this indicates that Germany is embarking on a spate of corporate restructuring, MBO funds could be about to Continued on Page 2



MBO's, MBI's, corporate joint ventures, acquisitions, privatisations - a few of our recent successes

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mpanies it can stay close to

its potential customer base.

bas made modest advan

The market as a whole fell

significantly, according to

Nottingham. But during 1995.

3i's investment rose to £45m

from £37m although the

average size of investment

slipped slightly. Although

expansion may be disappointingly slow, the UK

will always remain 3i's core

stable, according to Mr

Trust analyst at NatWest

Markets. The company has

investments across the whole

the business is low risk as a

relatively high risk inherent in the individual investments.

unlikely to change from being

market-driven and within its

current well-defined markets.

diversifications in the 1980s

consultancy - has not faded.

share price which is trading

is reflected in the current

at a small premium to net

asset value. Results next

reflecting the continuing

strong performance of the

British industrial beartland.

Richard Gourlay

month are expected to show

net asset value of about 420p

The stability of the business

What is more, observers say

range of British industry that

such a wide variety of

whole, in spite of the

that the 3i strategy is

The memory of poor

- into the US and into

Hamish Buchan, Investment

continental European

Initiative Europe and the

Centre for Management

Buy-Out research in

In continental Europe, 3i

Benchmark for competitors

£301m in only 11 deals. This expansion has been There are few industries in the UK more influenced by one company than the private equity market is by 31. It is as a sign that Si is not merely a matter of market size, although nearly half of all management buy-out and buy-in transactions involve 3i. It is have raised large amounts of the company's reach - both money which are chasing relatively fewer deals. But it within the industry and is difficult to test claims of within the market it serves

that makes 3i a leader. The 50-year-old institution has been the training ground for countless hundreds of executives who bave left & to populate the British venture capital industry. With 18 loses and then calls offices in the UK, it has until recently been a net supplier calls "fairly priced". The proof of this pudding will of syndication opportunities to the industry which only be had in a few years netimes resembles ar alumnus association. And when the companies now, as a quoted investment concerned either succeed or trust, 3i is publicly presenting

against which its competitors feeling the impact of 3i's can compare themselves. decision two years ago to On its 50th anniversary, 3 business. Then it set up a added one more feather to its £150m fund, half of which it cap. It has for a long time been the largest investor in

300 -

250 -

200

150 -

103 -

MURRAY JOHNSTONE PRIVATE EQUITY

management buy-onts and buy-ins hy number of ns but last year 3i also pipped CINVen as the biggest investor by value. In a record year, 31 almost doubled its total equity investment from £174m to £326m in larger bny-onts,

despite being absent from the largest deals valued at more than £100m, 3i reached this target through 46 mvestments, according to Acquisitions Monthly. compared with CINVen. bolder of the number two slot by value, which invested

greeted by some competitors overpaying. Certainly, the valuation of equity in private companies has risen in the past year. Fund managers

It is not surprising that 3i attracts its share of brickbats in an industry where there are only two kinds of deals - the ones the competition "overpriced" and the ones the etition wins and then

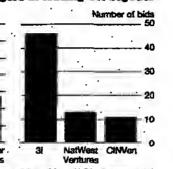
fail to live up to expectations. The competition will also be enter the fund management

committed itself and half of which it raised from institutions for co-investment in larger management buy-out transactions.

Earlier this year, 3i raised a econd fund worth £200m. including 31's half contribution. The move has meant 3i is handing fewer deal opportunities on a plate to syndication partners who in turn are keeping more of the deals they are winning on their own books. So what of the inture? The

UK is becoming an increasingly competitive market not only because there is more money driving np the price of good deals. Even in relatively small deals, corporate vendors of businesses are playing off one venture capital supplier against another in auctions that tend to lead to higher valuations. 3i says it is well equipped to avoid baving to get into anctions. It says its 112 investment executives are able to stay close to vendors and that by running a shadow

Top three equity arrangers in leading UK buyouts'



INVESTMENTS GROW WITH

MURRAY JOHNSTONE

Management Buy-Ins: by Christine Moir cant growth area

From the financier's point of view, a Bimbo provides the maximum flexibility

According to most funding institutions, Management Buy-ins are the growth area of private equity finance today.

Mr Chris Berisford, wbo tracks larger financing deals for KPMG's MBO Quarterly, confirms that 31 of the total 111 deals he followed last year were MBIs. The year before, they accounted for 12 out of 51. 3i, the grandfather of venbusiness. And this is still very ture capital bouses, says that MBIs now account for about one third of all their deals.

Curiously, this growth is not apparent in the standard statistics for the sector, which are provided hy the Centre for Management Buy-out Research at the School for Management and Finance, University of Nottingham. The centre's figures for 1995, published last month, actually show a drop in the numbers of pure MBIs last year, from 140 to 130.

Dr Ken Robbie, the centre's research fellow, cautions against taking the figures wholly on face value. As the sector matures it also grows in complexity. For example, the centre has identified a new category of deals - investor Buyouts - which are separately classified for the first time in

these figures. IBOs, which would previously have been more likely to be listed as MBOs unless specifically differentiated, number 16. In addition, there are 55 Bimbos - the increasingly common bybrid deal which uses both imported management (MBIs) and existing management (MBOs).

Added together, the three categories account for £2.6bn of the £5.55hn total for all buyouts and buy-ins in the figures produced by Professor Mike Wright and Dr Robbie. Once analysed in this way.

the centre's figures provide ample confirmation of industry's experience of significant growth in externally-generated deals at the expense of the traditional lead by management in true MBOs.

Mr Patrick Dunne, director of MBI resources at 3i, believes vendor companies are psychologically drawn to the hybrid. They like selling to a named individual (the buyer-in) because they can see that their former business will be in the right hands. At the same time they can also show concern for the existing management.

From the financier's point of view, a Bimbo provides the maximum flexibility to choose the right individuals for senior posts while not losing the continuity and inside knowledge which rests with the incumbent management. Typically, the financier will bring in an investing chairman and finance director (neither of whom would bave been part of the structure of a subsidiary). Existing management would

be retained for operational

functions. Mr Dunne foresees a further boost to buy-ins from what be tentatively calls the "boss chop factor." in large corporations, members of the top management echelons used to be in their late 50s or even early 60s. Now they are being wound down in their early 50s. Their successors, probably in their early to mid-40s, have to face the fact that they too will be "given the chop" at about the same age. The more ambitious, with 20 active years ahead of them, prefer the challenge of something new of their own to the predictability of having to

make way for even younger

successors when they are still

at their executive peak.

For an individual with such plans, the key issue is how to identify a suitable company to buy into and bow to persuade a venture capital business to come up with the necessary backing. There are two things the would-be entrepreneur sbould develop - simultaneously and well ahead of the desired date for the big move: · Get to know key individuals at one or two venture capital operations. Nothing is so powerful as a personal recommendation; and

 Manage your current career path to provide experience of

financiers believe succes ful entrepreneurs must show. Win budgetary control for a truly antonomous profit centre. Do deals which show you bave staying power. Master your territory and do not move far outside it. Grow the business unit you are responsible for and target something of comparable size. If pos arrange your own MBO to establish a track record .--

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Financiers are these days establishing relationships with corporations on a long-term basis rather than waiting to be called in when a deal is under way. They seek similar buildups with those they are likely to promote to front MBIs.

The more established the trust between financier and would-he entrepreneur, the more likely the development of another financing trend Mr Dunne calls this "Bingo".

Many of the high profile MBOs which ran onto the rocks in 1990 as recession struck were over-burdened with debt but under capital ised. Mr Dunne believes today's capital providers are much more ready to supply the growth capital which the new companies need. Entrepre-neurs who win such backing can say "Bingo": Buy in, now

CASE STUDY Leon Allen and Lyons-Tetley

New professionals

A new breed of professional is abroad in the mid-1990s: the serial manager. Serial managers are the bandful of individuals whom the financing institutions feel comfortable to see fronting management bny-ins - the increasingly popular alternatives to management buy-outs. Mr Leon Allen is one of that handful.

Mr Allen, American born and educated, bas followed a career entirely in the sumer goods field, much of it in Europe. After 16 years with Proctor & Gamble, where be rose to be bead of European operations, he moved to RJR Nabisco as chairman of Del Monte Poods

It was there he came to the attention of financing institutions. Early in 1990, some months after Nabisco buy-out by KKR. Mr Allen led a £229m buy-out of Del Monte. That buy-out was inteoded to exit in a flotation. Instead it was sold on, but the price of £368m confirmed the institutions' belief that bere was a safe pair of hands.

Less than two years later, he was invited to become chairman of Devro International, the sausage skin maker wbose nanagement bought themselves ont of Johnson &

Leon Atlen; serial manager

Johnson in 1991. And last summer he received the final institutional seal of approval when Prudential Ventures and Schroder Ventures used him to front a £190M management bny-in of yons-Tetley, the tea an

coffee arm of Allied Domecq. The Pru and Schroders were placing a great deal of trust in Mr Allen, now aged 56 and already personally wealthy as a result of the

earlier deals. Prudential put up £62m of equity for the Tetley deal (although it later reduced its exposure by syndicating some), and Schroder put up £38m, all of which it still

It was a calculated risk.

When MBIs developed in the late 1980s, as alternatives to MBOs, they were soon shown to carry greater risk of failure. Some institutions would not finance MBIs for that reason.

But now, according to Mr Chris Berisford of KPMG who makes a special study of ::: MBOs and related structures the institutions are more comfortable because they have evolved a check-list of characteristics which a successful bnyer-in will show.

Mr Allen displays all four attributes on the list. At both Proctor & Gamble and Del Monte be was in charge of autonomous profit centres and made them perform. He had done deals of a comparable size before: Tetley, a mainstream -consumer group, is part of the industry in which be has specialised. Finally, he remains a driven man, with enthusiastic plans for Tetley's expansion, and his track record suggests be will

not be easily diverted. It is a mark of the maturity of the buy-out/buy-in market as well as institutions' pre-occupation with risk management, that the Tetley buy-in is actually a bybrid 'to involving both buyers in and

existing Tetley management.

Christine Moir

Healthy supply of deals

Continued from Page 1 see a substantial reward for their patience.

It might seem logical that if there is an ahundance of capi-tal for MBOs then the leaders of the management teams must be in clover. But the vendors of businesses are getting smarter, and bave learned that they do not necessarily get the best advice when they give a

Furthermore, financiers are increasingly leaving the management of the target company on the sidelines as they bid to buy companies directly from the vendors. These so-called financial or bought deals are

management team a mandate

to sell the company they man-

bad news for the incumbent managements who generally end up with less favourable terms and less of the equity of the company they are managing. But there is no evidence that the bought deals are systematically leading to prices that are too high for the future earnings potential, in spite of some worrying anecdotes about financial buyers who are prepared to pay more than trade buyers.

One mitigating feature may be the rise of the management buy-in and the bybrid buy-in management buy-out, or "Bimbo" which allows the financier to appoint a trusted industry expert to the board. Many of these trends play into the hands of 3i, the largest private equity investor. Through its branch network if is able to market more consis tently to corporate sellers ofbusinesses. And with its pool of non-executive directors, it is able to appoint trusted advisers who can add value to companies. "At 3i we have enough scale and resources to look for ways to do creative deals. says Mr Martin Gagen, 3i direc-

If other private equity mvestors are to compete in a maturing market that is become more competitive, they will bave to continue finding new ways to add value, both to the structure of transactions and to the companies they back-

Europe Buyout Review 1996 edition The seventh edition of Initiative Europe's annual overview of Continental European buyout markets is published on 17 May 1996 The Review examines the economic climate for buyouts in each

Continental market, provides details of both the major deals done since 1980 and the major investors, and contains the most accurate statistics available on market development since 1980.

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Shift from tradition

Industry sources claim that the IBO has significant advantages for vendor companies

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The Centre for Management Boy-out Research at the University of Nottingham's School of Management and Finance has a new column in its annual survey of activity in private equity finance. For the first time the figures for 1995 (published in the third week of April) include 16 huy-outs. costing a total of £1.05hn, identified as Investor Buy-outs

Dr Ken Rohhie, research fellow, confirms that the centre, which this year celebrates its 10th anniversary as the leading academic focus on private equity finance, has observed a shift away from the traditional pattern of huy-outs initiated by management.

Today, companies wanting to divest themselves of a division are increasingly likely to sell it directly to a funding institutioo, oscally by way of auc-

The institution is then free to back the incumbent management to run the newly-independent husmess, to bring in outside management or to use a mixture of both. It can also choose whether to give management a piece of the action, by way of an equity stake.

Dr Rohhie observes that this structure, also known as the Bought Deal or Finance Purchase, marginalises the management. So far, the number of recorded IBOs is relatively few compared with a total number of MBOs and MBIs for 1995 of 577 with a total price of £5.35bn. But the numbers are multiplying.

In any case the recorded numbers are likely to significantly under-estimate the true level of IBOs completed. Industry sources claim they are notoriously difficult to define: a more realistic appraisal is that they are difficult to identify from outside unless vendor and funding institution volunteer details of the structure of the deal.

Funding institutions are reluctant to reveal themselves as the principals lu Bought Deals for fear of being thought

to have over ridden the management which they in fact support, or terraise they may be accused of impersonal financiat engineering with a short-term horizon.

In fact, they are mostly responding to changes in the requirements of divesting companies. In the raid 1998, MBOs were mostly driven by managements' urge for independence. But, as Dr Robbie has noted, parent rompanies sooner or later began to chafe against what they saw as the draw-backs of a closed shop. Once convinced that management would not give them "top dollar" without competition, they looked for alternatives. An auction system was an obvious choice, not with management pitted against all-comers, but with City of London institutions competing against each other to provide finance up

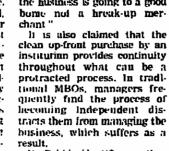
Industry sources claim that the IBO has other significant advantages for vendor companies, it climmates the need to negotiate directly with management which the parent board often feels could have a conflict of interest. Indeed, it avoids having to take a decisum on whother the management is fit to run the business independently.

Mr Martin Gogen, 3i's director of UK investment operations, says parent companies find that judgment difficult, some routinely under estimating, others over-estimating management's experience and capabilities

provides certainty. Traditional MBOs are nail-hiting events with the parent company left wondering outil late in the day who will back the management and at what price. Mr Gagen says: "In an IBO, the vendor knows the price is a good one He also knows the identity of the hijyer and therefore that the husiness is going to a good

Dr Robbie ülentifies another driving force behind the growth of IBOs; a more pro-active approach by venture capiialists towards getting business. "They no longer rely on way to establish lioks with major PLCs so that, as and when divestment becomes an carly stage."

carries out many traditional MBOs respecially those below £10m conducted through its 18 regional offices) the increasing competition among funders to provide finance for buy-outs is intensifying the pressure for Bought Deals and other exter-



geonle knocking on their doors. They now go out of their issue, they are involved at an 31 confirms that while it still

nally structured arrangements.



A STATE OF THE PARTY OF THE PAR City of London institutions compete to provide finance up front

CASE STUDY Lloyd's of London Press

Deal was half MBO and half IBO

Venture capital financiers are sensitive about having their deals described as Investor **Buy-onts, Finance Purchases** or Bought Deals. This make their intervention look, they argue, like short-term financial engineering, aimed at an early exit after

asset-stripping or break-up. Their protestations have some (orce. Most first-generation, pure MBOs also sought a naturai medium-term exit over three to five years by way of trade sale or fintation. But the terms IBO or Bought Deal are useful to describe a development from management-initiated deals to ones effectively negotiated

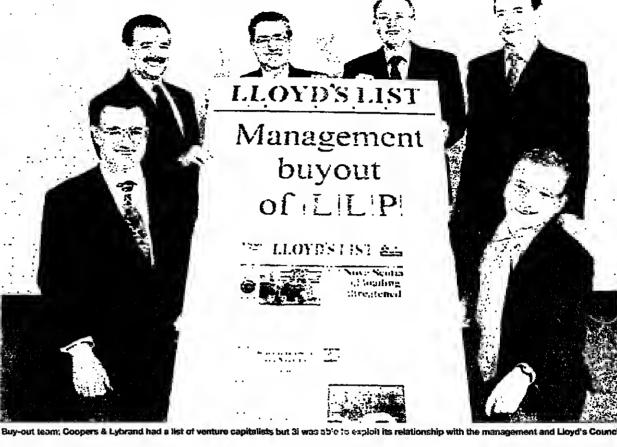
a financial institution with

management much less central if not marginalised. One recent example, half way between a traditinnal MBO and a full-scale IBO (with elements of an MBI at a second phase) was the huy-out of Lloyd's of London Press from the troubled insurance market in December last year.

The key to the deal was 3i, the UK's first purpose-huili venture capital financier, set np by a consortium of clearing banks in the 1960s but floated on the market in

In the late 1980s, the management of Lloyd's of Loudon Press - whose premier publication is Lloyd's List, the daily newspaper of the shipping and insurance industries - was strengthened under Mr lain Lindsay-Smith, imported from the Observer where be had been managing editor, As the team turned LLP round from losses to a solid profit of £6m by 1995, it wanted to distance itself from rows in which the Lloyd's market was entangled. However, it saw that its business was intimately connected with the market where, it believed, the establishment bad ont a possible sale on the back burner.

Enter 3i. During 1995, when desperate to raise money from



any source to help fill the abyss of losses, Mr Nick Martin of 3i checked with an insurance market acquaintance the accuracy of

newspaper speculation that LLP was being sized up for sale, It was. He first met the Lloyd's board, then the LLP management who appointed Coopers & Lybrand to advise them on where to look for funding for a boy-ont. With less than a week's warning, the deal went to

auction in early winter. Lloyd's needed the best price it could achieve. Trade buyers were falling over themselves to pick up the prestigious Lloyd's List title. Coopers had a short list of venture capitalists to lay before the In the event, 3i was able to

exploit its advance relationship with both management and the Lloyd's Council to win the day, For the management it offered rock solid equity financing (£75m of the total price of £82.5m was to be in shares. freeing LLP from an unsupportable debi-servicing hurden). To Lloyd's It offered certainty. 3i structured the hny-out so that it negotiated with Lloyd's as principal. In other words, it offered a Bought Deal, bypassing the uncertainty of a traditional MBO where no one can be

in a position to close the sale. The buy-out was completed two days before Christmas. Management was cut in on generous terms for 25 per

sure until the last momment

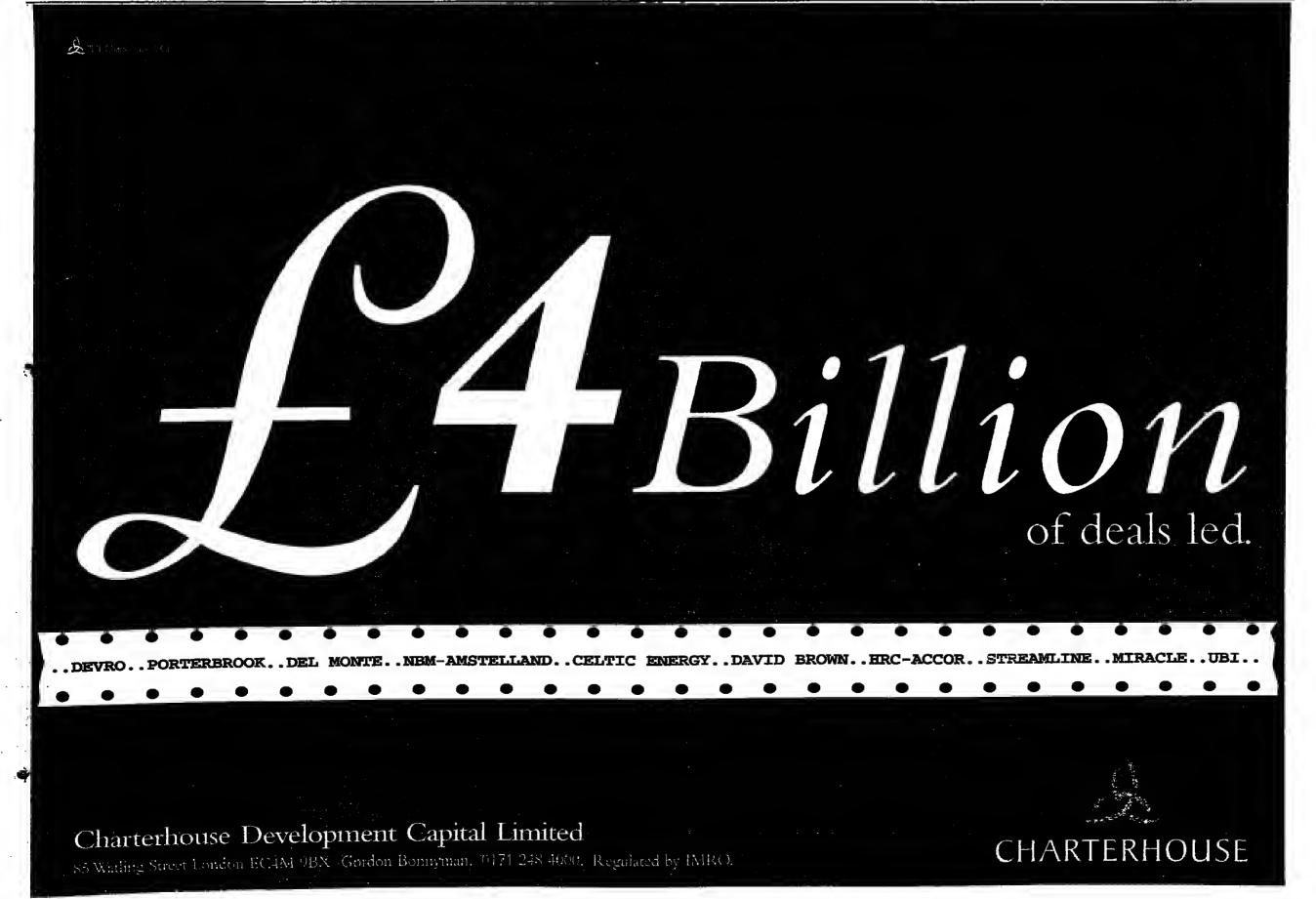
whether the management is

cent. 3! took 70 per cent for providing the equity sthougo it later syndicated all but £15m of that to proteinent venture capital operations such as Nat West Ventures, Mercury Asset Management and CVC - itself an NEO (rom Citicorp). latermediate Capital Group which underwrote all the mezzanine finance received a 5 per cent equity kicker. Senior deht was suppled by Samuel Montagu which also later syndicated much of it to Banque Paribas, Bank of Scotland, National Westminster and the German banks Dresdner and BHF.

Last mouth, there was a codicil to the deal, underlining just bow far it was from a basic MBO. 3i arranged for Mr Stuart Wallis

to take over as non-executive chairman. Mr Wallis was not part of the LLP management team. He bad stepped down in March after 16 months as chief executive of Fisons where be had doubled the share price before selling it ou to Rhone Poulenc, Prior to that be had worked at Hestair, Octopus Publishing and Bowater (now called Rexam), Mr Wallis was known to LLP's management from his Bowater days and Mr Lindsay-Smith enthusiastically supported him for the chairmanship. Nevertheless, the circumstances of his appointment reinforce the impression that the LLP buy-out was an IBO by 3i.

Christine Moir



CASE STUDY Ferranti Technologies

State-of-the-art nuggets

The Cairo and Orm Mills - on the road to the Pennine moors on the edge of Oldham - are typical Lancastrian monuments to yesteryear Redbrick, multi-storey and flat-roofed, they look like the to find a state-of-the-art high technology business.

This was exactly what Mr Trevor Tuckley thought two years ago when Arthur Andersen, the accountance firm, first put him in as chief executive to prepare tha business for sale. Yet he ended up huying into it as leader of a "Bimbo" - a

huy-in, management buy-out As be puts it himself: "If I had come as an outsider and looked over the wall, I would have walked away. But once l was inside and was able to talk to customers, employees strengths, I realised there were some nuggets in this

The business is now known as Ferranti Technologies and it was formerly the components manufacturing arm of the Ferranti International group. The group was ruined by one of the largest corporate frauds in history and had to be broken up and sold piecemeal in order to be salvaged.

The Oldham operation was the last part of the group to be disposed of when Mr Tuckley and his team completed the deal to buy it in December

Mr John Talbot and Mr Murdoch McKillop of Arthur Andersen, the joint receivers of Ferranti International, sold most of the group to big names in the defence industry. Ferranti's core lefence activities went to GEC, Other parts were sold to Thomson CSF, the French electronics group, and Matra Marconi, the joint venture between GEC and Matra of

France. The Oldham factory, however, became an orphan in this process. It makes sophisticated equipment for many of the main defence contractors, including competitors such as GEC and

giants would have been happy abont it being owned by one of the others and controlling everyone else's component supplies. Selling to a customer was therefore ruled out: it . needed to be owned independently, but by someone who understood the defence industry and the esoteric demands of the husiness's customer hase.

Two years ago, however, the business was in no condition to be sold as a stand-alone item. It functioned merely as a branch factory within the group, doing what it was told from afar, with an incomplete management team and little control over its own unit

Mr David Platt, one the buy-out team - who joined Ferranti from university in 1983 - says: "This was a Cinderella company. We were a tiny part of large group. We were last in the queue for investment. When we needed a new 'clean room' for dust-free manufacturing, for example, we got a second-hand one with an obsolete air conditioning system that only one member of staff knew how to keep

International after the fraud, we went from mediocre to appalling in no time at all." Fortunately, bowever, the company's products are militarily crucial, including battle computers and electronic processors. specialised gyroscopes, air data probes that measure a fighter aircraft's speed, inertial navigation equipment missile components, and rigs for testing whether missiles

"When cash became an

optional extra in Ferranti

will work when fired. So suppliers and customers led by GEC, the UK Ministry of Defence, the US Department of Defense, and British Aerospace - took a long view and kept giving credit or paying on time to keep the husiness afloat.

Things actually improved when Ferranti International went into receivership in December 1993 because the

husiness started to be run on the assumption it had to learn to stand on its own feet. This included cutting over-staffing: job numbers had already declined from a peak of 1.200 to about 1,000; another 400 went in the first week of receivership, with another 300 cuts to come.

Mr Jamie Gleave of Arthur Andersen then started looking for a company doctor to get the business fit enough to sell.

Mr Tuckley, an industrial ensultant originally from the Black Country, fitted the profile. He had had a peripatetic career around Britain, turning round troubled engineering companies - and he also knew the peculiarities of operating as a supplier to defence contractors from running Budenburg, which makes pressure gauges for military

"I was staggered by what I found at first," be says. "The husiness was classically product-oriented, not customer-oriented. Customers told me they always felt they were being afforded a great privilege in being allowed to buy something from Ferranti.

He rapidly identified Mr Platt's abilities as manufacturing director and those of Mr Peter Davies as commercial director. The three then realised that if preparing the business for sale meant turning it round in the first place, they might as well try to buy it themselves: after all, they were doing the

Corporate finance advice came from Mr Philip Nuttall of Latham Crossley & Davies, a north-west accountancy firm specialising in relatively small but growing companies, while Mr Gary Tipper of the Manchester office of Murray Johnstone - the Glasgow-based venture capitalist - assembled a financial package. The price is believed to have been about £3m. of which £1m was deferred for two years. Murray Johnstone provided film of equity and the Royal Bank of

Scotland a £1m term loan and

capital. The government chipped in £500,000 of regional

The price included 10 years' use of the Ferranti name - a competition and vote among employees added the "Technologies" bit - to help continuity in the marketplace as well as a bost of

intellectual property rights.

The new management team

- since strengthened by the arrival of Mr Fred Brinksman as finance director Immediately demonstrated what a bargain the deal was for them. Because the defence industry's planning horizons are of necessity long-term, Ferranti Technologies is guaranteed an annual £17m of

orders for eight years. First-year turnover was actually £20m because of a backlog of work. This kept 300 jobs intact initially, but the company has now slimmed down its workforce to about 240. It has also made more than £4m of profits, enabling it to reduce debt and leave overdraft facilities in reserve.

Moreover, the Bimbo team - which has a substantial majority stake - has invested £3m, moving out of Orm Mill to consolidate in a reforbished Cairo Mill and install a state-of-the-art clean room for manufacturing its range of delicate components, It has also uncovered some potential nuggets in the intellectual property rights that came

More important than anything else, however, has been a sea change in attitudes and outlook. An employee share ownership scheme bas helped kill any lingering Cinderella complex among the workforce and a £600-a-head first-year honus has rewarded efforts to perform better.

Most obviously, though, Ferranti Technologies is now thoroughly market-oriented. making what it can sell - small volumes of many different products - rather than trying to sell larger quantities of over-produced goods, as in the past.

Ian Hamilton Fazev

CASE STUDY Graeme Brook at Crompton Lighting

Transforming the business

The view from Mr Graeme Brook's office window at Crompton Lighting in Doncaster is of a cluster of rabhish skips. Mr Brook deliberately had them pur there: tha skips are where the factory scrap is dumped. Because everyone knows he keeps an eye on how full they are, they take great care to try

and keep them empty. "I am a great believer in easuring all aspects of the business. Done properly, people enjoy being mea because von can then reward them for their performance. things like scrap, productivity, attendance and sales calls.

"It's more than having monthly accounts. I incentivise the people who can ensure business, like sales managers or shop floor supervisors who can control roductivity by 10 per cent, and keep working at minimising waste and scrap."

Mr Brook led the nanagement buy-out of Crompton Lighting from BTR early last year. The deal was one of the UK's biggest in £13m by 3i's Leeds office. RTR charged £24.2m for the business but also kept £2m in cash, so the total cost was £26.2m. The financial package also included £10m of senior debt from Bank of Scotland. plus a revolving facility of £2.5m and mezzanine finance from 3i worth £4m, which 3i has since sold down to NatWest Ventures.

In spite of the sums involved, the signs are this may have been a bargain for the buyers and backers. In the first 13 months since the buy-out, Crompton turned over £40m and made profits of £5m; a good result for a business making commodity products such as light fittings

and light bulbs. The fittings are made in Doncaster, the light bulbs at Guiseley, Leeds, but Crompton also has sales, marketing and distribution businesses in Australia and New Zealand which accounted for a fifth of turnover at the time of the buy-out. Antipodean supplies

are manufactured by a joint venture with Philips and

Thorn. BTR in 1991, in the same transaction by which BTR acquired Mr Brook - the hostile takeover of Hawker Siddeley, Mr Brook, an electrical engineer by background, learned some of his management skills working for Mr Tony Gartland, one of Yorkshire's most successful entrepreneurs at FKL, before moving to the Ring Group, then part of

Hawker Siddeley Crompton had just lost £2.75m on £32.5m of sales. BTR invited him to become chief executive early in 1992.

fail because their products' life cycles mature and pass without management developing new ones, or there is poor management of what they have. It was a mixture of both at Crompton. We went from blood to black in the first year and st the end of the secood year, we had doubled the black. But the lighting sector does not make 15 per cent on sales, which is the sort of performance BTR wanted. Plus we only had a turnover of about £32m.

This was small beer for BTR, where Crompton was part of a control and electrical systems sector which made a pre-tax profit of £214m on turnover of £1.08bn in 1993, Mr Brook recalls: "I was 48 and thought it was time I made some money for myself. I asked BTR if they would consider selling the husiness. I got a terse letter back saying simply: 'Please answer the following two questions: 1. How much are you offering? 2. How are you going to raise the

He had already had told Price Waterhouse in Leeds be was on the look-out for a hay-out or buy-in opportunity and had persuaded the accountancy firm's corporate finance experts in Leeds that be had the ability and experience to be worth backing. Raising the money would be no problem.

Convinced that here was no time-waster, BTR - which was

already involved in a series of non-core disposals of relatively small business which did not meet its exacting performance criteria – gave him an exclusivity agreement and negotiated the

> He soon found there were gaps to be filled but he had one asset be had not appreciated - more time Under BTR, 30 per cent of my time was spent answering to corporate headquarters. What you are short of when you come from a plc background however, is treasury. Neither are you used to dealing with corporate finance advisers, lawvers and banks."

There were unpleasant things to do. He has reduce numbers to 425 from about 500 at the time of the buy-out - and he had already cut from more than 700 before then. He also replaced his head of Australian operations and sacked his sales and marketing force.

"The husiness was a product-led cash cow with Hawker Siddeley. The attitude in the factory was often: Bloody bell. Why do these sales people always sell what we haven't got in stock.' Sales and marketing were one function and confused and we were not the team we should have been," he says. He recruited graduates

straight from university and experienced people from other companies to rebuild from scratch. Significantly, the executive stakeholders in Crompton are himself, the managing director of UK operations, and the new sales and marketing directors whose functions are now clearly separated. "Running a business isn't a

black art." Mr Brook avers. "Much of it is common sense. We do not have a single product our competitors do not have, so where can we get our edge? Obviously, it has to be service. We had to make it easy and easier to do husiness with us."

One way was to outsource distribution to a specialist company, transferring

Crompton's drivers in the

process. The logistics of

distributing to retailers and do-it-yourself sheds required expert managerial and supervisory skills he did not need in-house. Mr Brook reasoned. Crompton bas also developed new products, such as lighting which automatically dims as the ambient light increases. The targets here are the architects and designers who specify

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what should be used in offices and other workplac He has also pulled off a great coup with a £10m order. spread over several years, to re-light bundreds of Inland Revenue offices. In the past, Crompton would have had no chance of becoming one of only two lighting companies appointed to the job; now it. ... has displaced one of its bigger competitors and the industry

is taking notice. The industry will also notice him in the next 12 months because Mr Brook has taken on this year's presidency of . . the British Lighting Industry

Pederation. So where does he goes from here? "Acquisitions are a great risk," he says. "I have looked at one or two, but they were : either overvalued or bleedin cash. The only ones that winds be worth it are those I could move into our existing factories at Doncaster or Guiseley.

3i keeps in close touch through one of its senior managers, Mr David Wilkinson, the former director of its Leeds office, who has a non-executive seat on Crompton's board. Their relationship is friendly and there will probably be no . pressure from 3i for a realisation by flotation or trade sale while Mr Brook is still transforming the business

and cranking up its net worth Mr Brook, however, has this advice for other buyers-out Never lose sight of the fact that a venture capitalist is potentially the greediest person on earth. You will be successful if you are realistic about them." They are realistic about him, however: he will probably make a lot of money for all those involved.

Ian Hamilton Fazey

MONEY, MONEY, MONEY.

SOMETIMES IT'S THE LAST THING Money isn't everything, It has

YOU WANT FROM A

VENTURE CAPITAL COMPANY.

financial flair to any project. If you would like to talk

in. Each of our investment officers have years of experience in different specialist markers, from printing and design, to engioeering, computing and textile manufacture. If you have a business with the potential for growth, or you're

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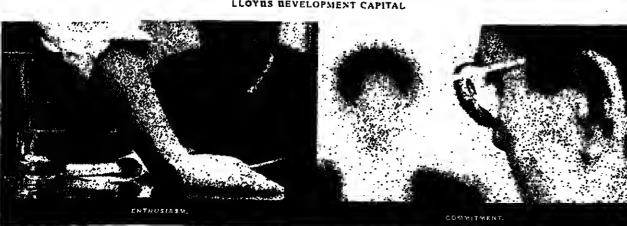
interested in a huy-out, a buy-in, or simply a programme of expansion, come to us and we'll provide you with a committed partnership that draws on this experience.

One of out investment officers will be there to guide you and advise you through every stage of development, bringing

to people with a resolve to succeed that equals yours contact us at Lloyds Development Capital. You'll be surprised how quickly we respond. One thing we do know is, you have to act fast on any new business idea. After all, what good is capital if it's not there when you need it? To find out more, call Patrick Sellers, in our London office, or 0171 600 5226, Darryl Eales, in Birmingham, on 0121 200 1787,

or Stuart Rhodes, in Leeds on 01132 441 001. If you know a good business opportunity when you see one, talk to a venture

LLOYUS BEVELOPMENT CAPITAL



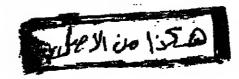
ILO-ON OCICE JOSENI GAPITAL LIU-ICO IS REGULATED DI THE SECURIFIES AND FUTURED AUTHORITY.

puts more deals on the table?

> LEADING DEBT ARRANGERS Ist IANUARY 1990-31st DECEMBER Idea

Debt deal leader	No. of deals	Total debt (Em)
ank of Scotland	117	1,920
latWest .	, 75 -	2.042
Midland/Samuel Montagu.	. 48	. 941
Berclays	40	564
Royal Bunk of Scotland	32	705

Once again, Bank of Scutland has topped the table for debt arrangement. Clearly, we have the experience, skills and responsiveness to get the right deal done quickly and efficiently. So, no matter what size of MBO or MBI you're cunsidering, speak to nur specialists, in London on 0171 601 6010, in Edinburgh un 0131 243 5829 ur in Glasguw on 0141 228 3985. We think you will find that, at Bank of Scotland, we have an unrivalled strength in debt. BANK OF SCOTLAND



Privatisation assets: the railway industry by Charles Batchelor

Managers have been squeezed out

For many of the middle managers anxious to exercise their new-found freedom, the competition has proved just too tough

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At one point early in the process of selling off British Rail's passenger train operatuig franchises, management buy-out bids appeared set to sweep the board. Buy-out teams were listed as preferred bidders for the first three franchises - South West Trains. Great Western, and Londoo, Tilbury & Southend.

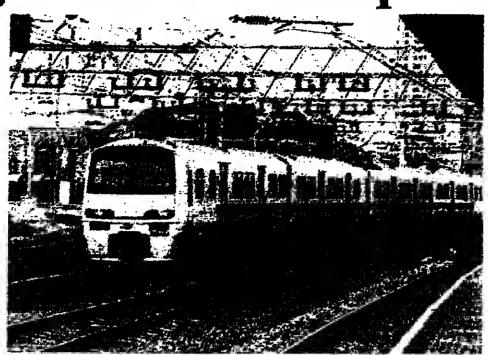
But, in a few short weeks, two of the teams stumbled and were replaced by corporate buyers. The third was successful but, significantly, was bidding jointly with a large bus

The railway industry bas o proved a harder target for management teams than the government and many outside observers thought. Early expectations were that the complexity of the industry would deter outsiders from bidding, leaving the way clear for managers who understood the arcane workings of the rail-

But corporate bidders bave been only too willing to snap up railway assets and have squeezed out managers in many cases. The greater finan-cial muscle of established transport operators has enabled them to accept very demanding targets for reducing government subsidies for

the passenger train franchises. The British government's decisioo to privatise its railway network has put two very dif-ferent types of business up for sale. Most of the 80 companies created by the fragmentation of British Rail are conventional in the sense that the purchaser acquires the business and its

assets outright. But passenger train services are being franchised out for periods of between seven and 15 years, with very detailed specifications set for the mini-mum timetable which must be operated, for fares and for per-



In return, the franchise owner receives a subsidy which. although guaranteed, declines at a pre-arranged rate over the life of the franchise.

The franchise operator has few assets because the trains he runs are owned by a leasing company while the track, signalling and stations remain the property of a separate company, Railtrack,

The advantage to operators is that they are not required to commit funds to acquiring expensive assets. But this also means that there is little asset backing to provide comfort for a development capital company or a bank. In addition, any value which is built up in the business cannot be easily harvested by the management or its financial backers when

the franchise comes to an end. This lack of a conventional "exit" for the development capitalist has meant that the buyouts which have taken place have tended to attracted organisations which structure their deals to take a running yield throughout the life of the franchise rather than relying mainly on an increase in the capital value of their invest-

"31, in partnership with Fir-

stBus, a large bus group, provided funding for a £35m buy-out of Great Western Trains. 3i, jointly with Gresham Trust, also financed the ultimately unsuccessful bid by the management of LTS Rail for the London, Tilbury & Southend franchise. Gresham and 3i both emphasise the

importance of a running yield. LTS Rail was initially declared the winner of the bidding for its franchise but was disbarred in February following allegations of irregularities in the sale of tickets. The franchise is now expected to go to Prism Developments, a grouping of four bus companies.

At one stage last December, managers at South West Trains were the preferred bidders for their franchise but they were dislodged in the final stages of the contest by Stagecoach, another hus group, which was willing to pay a very competitive price for a seven-year franchise.

The outlook for the remaining franchise sales is uncertain. Six lines have already been franchised, a further 14 are in the process of being sold off while five have yet to be put on the market. There is a mix of lines still to team making a one-off bid, these groups could make savings by merging these activities with their existing Managers were successful, however, in bidding for BR's

main on-board catering supplier, OBS services, Candover provided funds for this deal. A management team also acquired the Red Star parcels business against three outside bidders.

Management teams put in bids for all three trainload freight businesses - which carry heavy loads such as coal, steel and building aggregates. But a bid from Wisconsin Central Transportation, a US freight company, for all three businesses, was ultimately suc-

If the government had stuck to its original plan of keeping these three businesses sepa rate, the management teams would have had a better chance of winning. But the decision to re-merge the bustnesses gave the edge to an outside bidder with more financial resources.

be sold ranging from ScotRail,

which covers the whole of

Scotland, through dense net-

works around the large cities

such as Merseyraii, to smaii

local networks including the

Cardiff Valleys and the Island

Some of the successful bid-

ders for the early franchises

such as Stagecoach, FirstBus.

National Express and CGEA, a

French transport group, are

and will certainly be inter-

ested. Managements will con-

tinue to face tough competi-

Elsewhere in the rail indus-

try, management teams bave

achieved moderate success in

bidding for their businesses.

Managers of the BR heavy

maintainance depot at East-

ieigh in Hampshire were suc-

But the other five heavy

maintenance depots to be sold

international and Siemens act-

ing together bought the other

their company.

backed by 3i.

Line on the Isle of Wight.

Management teams proved more successful in the hidding for the three rolling stock leasing companies which were set up to assume ownership of BR's ii,000 locomotives and carriages. Eversbolt Leasing was acquired by its manage ment in a £580m deal backed by davelopment capitalists Candover and Electra while Porterbrook Leasing went to managers backed by Charter-

But the position of the managers in these companies was slightly unusual. They were all outsiders with experience of either the leasing or rail industries, and brought in 18 months earlier to prepare the newlycreated companies for privatisation. These deals could justiflably be described as delayed buy-ins.

cessful with a £10m-plus bid for Despite continuing criticism Wessex Traincare, as the from opposition politicians and business is now known, was critics of privatisation that British Rail has been sold off too cheaply, the government has been pleased with extent of outside interest in acquiring went to large engineering groups. ABB, now Adtranz, bought three while Babcock railway assets. For many of the middle managers auxious to dom, however, the competition two. Unlike a management has proved just too tough.

CASE STUDY Ian McKinnon and British Aluminium Exclusive rights

It did not take long for Mr Ian McKinnon to decide what he wanted to do at British Alcan, the subsidiary of the glant Canadian aluminium manufacturer. He wanted to

The 49-year-old Scottish mechanical engineer, recruited by Alcan to turn round some of its underperforming UK businesses, realised quite quickly that the North American parent had bigger things on its mind than selling baking foil or making gas cylinders. "A monolith with \$9bn of

assets and slow-burn projects such as dams and smelters was clearly not the ideal owner of these operations,"

he says. Mr McKinnon knows a good deal when he sees one. He belped engineer the £4m management buy-out of Levland Rus in 1986, where be was managing director. and two years later sold the company to Volvo of Sweden for an undisclosed sum. At the time. Volvo said the "multi-million deal" made the managers involved "very

wealthy men". He then turned his attention to Leyland Trucks, possible buy-in. Mercury Development Capital, part of Mercury Asset Management worked with him on the deal, which was frustrated when the receivers opted for a management buy-out.

Despite that setback, Mr McKinnon maintained ciose ties with Mercury and turned to the venture capital group last year when Alcan decided to sell its 12 UK businesses. "Ian was already on the inside as a company doctor for Alcan, so together we started looking at a buy-in long before the other bidders." recalls Ms Frances Jacobs, a director of MDC.

Alcan, however, warned Mr McKinpon that it was unlikely to sanction a management buy-out and encouraged him instead to leave the company so he could form a credible buy-in team.



Credible team: Ian McKinnon and Jeff Whalley

With MDC's help, be brought in CVC Capital **Grenfell Development** Capital. The three venture capital partners together company from Alcan and provide working capital.

In return, they received an 85 per cent stake in the pany with the remainder held by the existing management, Senior debt facilities were arranged by Bank of Scotland, Morgan Grenfell and the Royal Bank of Scotland.

"It was relatively straightforward," says Ms relationship with the chief executive beloed us pusb things through.

Indeed, Alcan had already signalled its favoured option by granting Mr McKinnon and his team exclusive bargaining rights so that the businesses could be sold as

Mr McKinnon predicts that the portfolio will benefit from an injection of entrepreneurial culture and the new-found freedom from its one-time parent.

Last year, the husinesses made operating profits of more than £25m on sales of £500m. While reluctant to set targets, the newly-renamed British Aluminium is expected to report margins

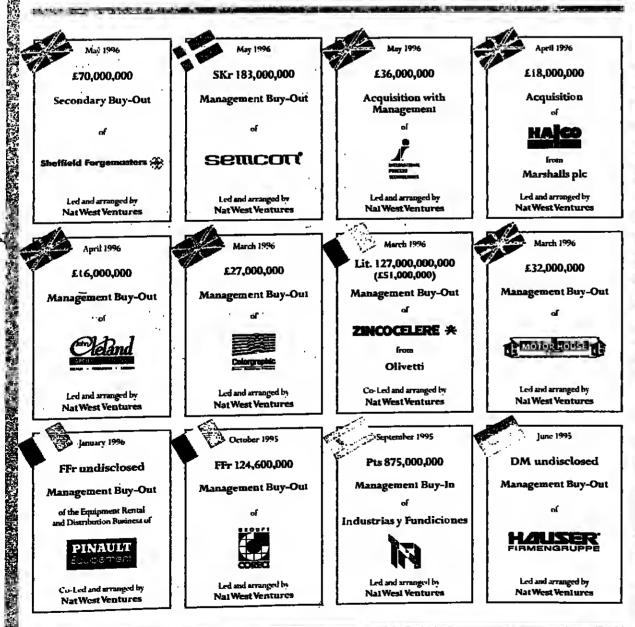
this year significantly ahead of the current 5 per cent levei. Of its 12 businesses, Mr McKinnon has the highest hopes for four key operations: Luxfer Gas Cylinders. Magnesium Eiektron, MEL Chemicals, and British Aluminium Plate. Each of these businesses is already. or bas the potential to be, a world market leader in its

field. Although Mr McKinnon admits some of the other businesses have been stumbling along, be claims they can be turned around in time for a possible flotation in about three years time. Alcan, bowever, denies that it sold these businesses too cheaply, At £200m, the purchase price was at a comfortable premium to the

£180m net assets. Mr Jeff Whalley, chairman of engineering group FKI and non-executive chairman of British Aluminium, is also well aware of the challenges ahead. "This company will achieve its potential by becoming more entrepreneurial, flexible and responsive to customer needs. Our aim is to make British Aluminium a leading player in the marketplace by exploiting its product strength and international

Tim Burt







This announcement appears as a matter of record only PRIVATE EQUITY FOR MARKET LEADERS £265,000,000 £235,000,000 NTL GROUP LIMITED BRITISH ALUMINIUM Mercury Asset Management CVC Capital Parts Greafell Developes Advisers to NTL Group s to British Ale If you are a market leader or £120,000,000 have the vision to become one, at Mercury Asset Management **VERO** we have the power to help you VERD GERUP PLO achieve your goals. And we think you'll enjoy working with us too. MERCURY Mercury Asset Management plc is regulated by IMRO

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Modest but satisfactory start

Since the start of 1996 there have been 11 new launches, many of which have been extremely popular

It is now almost a year since the rules allowing venture capital trusts were introduced. VCTs are the latest attempt by the government to persuade private investors to put money into highly speculative small husinesses – including MBOs with the offer of generous tax

An end-of-term report on the first money-raising season for VCTs, which is now just coming to an end, would probably read "adequate" or "satisfac-

The amounts of money raised have been well below the wildly optimistic estimates made by Mr Kenneth Clarke, the chancellor, when he first announced plans for VCTs in the 1994 Budget. At that time, he hoped to see £2.5hn invested through them. In fact, in their first year, VCTs have raised just a little over £150m.

This is a modest but satisfactory start. Certainly the outlook has been improving. The few trusts launched in 1995 all failed to raise their target and one had to be pulled, But since

The River & Mercantile

(Rambo for short) is a

invests in the shares of

subsequently floated.

However its investment

The company has

constructed its own

performance is impressive.

Management Buy-Out Fund

collective investment fund

which specialise in MBOs. It

companies which have been

through an MBO and have

The fund, an authorised UK

unit trust, is relatively small

with only £15m invested in it.

been 11 new launches, many of which have been extremely

The most successful was Advent which raised more than £80m. Gartmore and Close Brothers were also very popular and received more than £20m. Guinness Flight and Quester hoth raised about £10m. Other issues - Capital for Companies, Hodgson Martin and British Smaller Companies - had a more difficult time

raising money.

Two other VCTs - Johnson
Fry Aim and Pennine Aim - have been set up to focus on investment in the Alternative investment Market, the junior stock market for smaller com-

Many commentators see the slow start and relatively small sums of money raised by VCTs as a good sign. It is certainly very different from the huge sums of money which were being raised by Business Expansion Schemes in the last

few years of their existence. There has been a good deal of pessimistic comment surrounding the launch of VCTs, largely influenced by the failure of the Business Expansion Schemes (BES). The schemes were the predecessors of the VCTs which gave investors large tax breaks for investment in small husiness. Most ended painfully with some suffering staggering losses of more than

CMBOR Index, in association

University, which tracks the

consistently outperformed the

performance of post-float

MBOs. Over the past five

FT-SE-A All-Share Index.

Furthermore, Rambo has

outperforming the CMBOR

Index since it was launched

Rambo's success may come as a surprise; it is sometimes

with the Centre for

years, the index has

Management Buy-Out Research at Nottingham

River & Mercantile Management Buy-Out Fund

Impressive investment performance

80 per cent. However, in designing the rules for VCTs the chancellor clearly learned many lessons from the failure of VCTs. The most important difference is that BES schemes had only six months to invest their money. Furthermore, because of the extremely generous tax hreaks, many schemes raised far more money than anticipated. This created problems in finding

to invest the mooey.
Inevitably, the quality of investments suffered - which showed in the returns to inves-

sufficient companies in which

In contrast, VCI's have up to three years to make invest-ments. At the end of three years, at least 70 per cent of the money must be invested in companies with gross assets of less than £10m. An encouraging sign for the

future of VCTs is that few people have tried to use the new structure to provide tax avoidance schemes. With the BES, the focus came to be entirely on how investors could get the tax breaks, rather than on the nature of the investments being made. With VCTs in contrast, most companies are marketing themselves to investors on their track record as managers of small husiness invest-

Only one company so far has attempted to use the VCT regu-

seen as a worrying sign if a

management sells ont of an

MBO. It might be interpreted

that the management could

become less committed to the

company, And it could also be

argued that the management

would hardly be selling at a

Mercantile research indicates

the opposite. MBO companies

outperform the stockmarket. Their explanation for this is

which float have tended to

time when the company's

fortunes were about to

improve considerably.

However, River &

ance vehicle. Noble & Company's Augustus trust was designed to be a virtually risk-

A quarter of the money was invested in gilts. Most of the remainder was invested in small companies but backed by an agreement with Lloyds hank to ensure that investors

However, this sort of financial engineering proved unpopular and the issue was

It is too soon to say how active VCTs will be in the MBO market. All of them have drawn their investment briefs as wide as possible to include start-ups, early stage investmeuts and MBOs, so as to give them the greatest possible freedom of action.

It is possible to see some dis-tinctions between the approaches of the different managers. For example, both Advent and Quester have leanings towards high technology companies. Northern Ventures has an obvious regional link to its home area of the North

Close Brothers have made clear their intentioo to stick to investment in the safe end of the market - mature husinesses with strong earnings records, or else asset backed companies such as nursing

that the MBO process is so

taxing, that any company

to market must be in

a very tight control on

than their competitors.

companies survive.

management, and ensures

that only the most efficient

Consequently they will often

Roger Taylor

which survives and makes It

excellent shape. In particular,

MBO companies are normally

saddled with very large debts

This added burden provides

Leading solicitors in larger UK MBO/MBIs					
1 January 1990 - 31 Warch 1996 Solicitor	No. of deats acting for equity leader	No of deals acting for debt leader	No. of deale acting for management	Total ro. of deals	
Clifford Chance	58	14	10	82	
Ashurst Morris Crisp	49	10	g	68	
Lovell White Durrant	15	41	6	62	
3i Legal	57	2	0	59	
Wilde Sapte	1	50	2	53. '	
Alsop Wilkinson	8	27	18	51	
Allen & Overy	13	32	5	50	
Macfarlanes	26	9	10	45	
Dickson Minto	14	13	10	37	
Dibb Lupton Broomhead	11	4	21	36	
Eversheds	a	5	23	34	
S J Berwin & Co	17	1	13	31	
Edge & Ellison	4	12	10	26	
Pinsent Curtis	6	3	13	22	
Hammond Suddards	5	13	2	20	
Travers Smith Braithwaite	а	4	8	20 .	
Carneron Markby Hewitt	11	3	5	19	
Wragge & Co	3	4	10	17	
Booth & Co	10	2	3	15	
Turner Kenneth Brown	9	0	5	14	
Addleshaw Sons & Latham	4	3	6	13	
Nabarro Nathanson	7	1	5	13	
Simmons & Simmons	7	2	4	13	
Herbert Smith	10	0	2	12	
McKenne & Co	3	3	6	12 .	
Maclay Murray & Spens	4	3	4	11	
Norton Rose	0	7	4	11	
Osborne Clarke	3	2	6	11	
Bank of Scotland Legal	0	10	0	10	
McGrigor Donald	5	1	4	10	
Others None/Not Known	56	57	190	303	
(Duplication)	3	93	17	113	

431 431 1,293 Qualification: Larger UK MBO*ABts are those with total funding of over £10m, acted it

Estimate of to	otal UK MBC	/MBIs	
Year	Number	Vziue Sm	Average size Em
1981-86	1,350	3,550	2.8
1987	350	3,230	9.2
1988	400	5.070	12.7
1989	500	6,530	13.1
1990	550	2,860	5.2
1991	500	2.640	5.3
1992	520	3.020	5.8
1993	510	2,510	5.5
1994	550	3,590	6.5
1995	560	6,700	12,0
1996 (to date)	150	1,350	9.0
Total	5,940	41,350	7.0
Source: KPMG Corpor	ate Finance, 1 Apri	1995	

Analysis of gearing in larger UK MBO/MBls Jun-88 .Dec-88 2.847 826 454 338 669 564 641 452 580 532 1.026 2,032 3,865 1,154 516 33,944 20,719 on: Larger UK MBO/MBIs are those with total funding of over £10m PMG Corporate Finance, 1 April 1996

1 January 1990 - 31 March 1996 Debt dual leader	Number of deals	Total debt (Em)	Acerage value
Bank of Scotland	128	2,231	17
NetWest	80	2,268	28
Midland/Samuel Montagu	51	988	19 .
Barclays	42	585	14
Royal Bank of Scotland	36	735	20
Deutsche Morgan Grenfeli	15	1,388	93
Lloyds	11	282	26 .
Bankers Trust	7	892	127 "
Banque Indosuez	7	63	9
N M Rothschild	8	74	12
Societe Generale	5	390 .	78
Union Bank of Switzerland	5	346	69
Hambros Bank	5	50	10
Chemical Bank	3	100	33
3i	3	17	6
TSB	3	15	5 , .
Others	40	1,433	36
None/Not Known/(Duplication)	(16l	(1,421)	
Total	431	10,436	24

Larger UK I	MBO/MBI	by value	(£m)								· ·
	1981-86	1957	1998	1989	1990	1991	1992	1993	1994	1995	_
Under \$25m	640	180	380	570	570	300	420	370	680	970 .	
£25m-£50m	450	200	410	540	410	380	460	540	590	630	
£50m-£100m	750	390	670	710	290	370	510	320	520	210	
£100m-£250m	210	1,020	850	770	530	870	490	510	640	1,950	- 4
£250m+	590	970	2,200	3,300	260	0	420	270	360	1,440 .	72
Total	2,670	2,750	4,510	5,890	2,060	1,920	2,300	2,010	2,790	5,900	
Qualification: Larger Source: KPMG Con			al funding of or	er £10m	o o				111210	. 2 a 2 a 2 a 2	—

Specialised Financing

Lloyd's of London Press Ltd **New Look Limited** management buy-out management buy-out £96,000,000 £36,500,000 Senior Debt Facilities **Senior Debt Facilities** arranged by arranged by **HSBC** Investment Banking The Motorhouse Harris Chemical Europe Limited management buy-out leveraged recapitalisation £19,000,000 £5,000,000 **Debt Facilities** Mezzanine Finance arranged by provided by **HSBC** Investment Banking **HSBC** investment Banking

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	1981-86	1957	1998	1989	1990	1991	1992	1993	1994	1995
der £25m	640	180	380	570	570	300	420	370	680	970
5m-£50m	450	200	410	540	410	380	460	540	590	630
Qm-£100m	750	390	670	710	290	370	510	320	520	210
00m- <u>52</u> 50m	210	1,020	850	770	530	870	490	510	640	1,950
50m+	590	970	2,200	3,300	260	0	420	270	360	1,440
tal	2,670	2,750	4,510	5,890	2,060	1,920	2,300	2,010	2,790	5,900
allification: Larger arce: KPMG Corp	UK MBOs are vorate Finance.	1 April 199	total funding of ov	er £10m	a n	i. i	<u> </u>		13/2/17	25 a 15 (5 - a);
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Management Buy-Out DM99 million

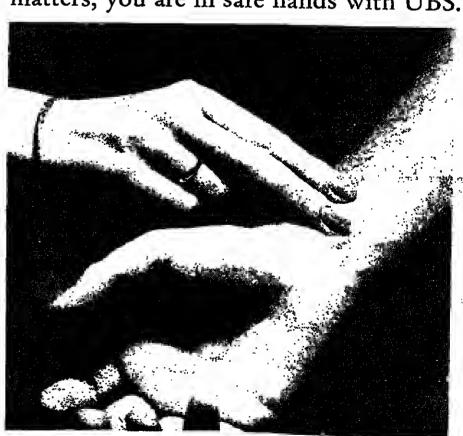
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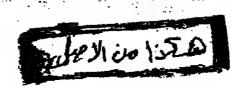
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e market has snowballed

Regional networks of corporate financiers, lawyers and accountants have had a palpable impact on the size and number of deals outside London

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For many of Britain's regional centres, the management huy-out market has snowballed into a substantial success over the past three years. Once the larger deals hopped on the train to London; today the culture of the corporate financiers has travelled to the regions.

The regional market now prides Itself on self-sufficiency. As the size and number of deals has grown, the size of the regional financial services industry has grow o, leading in turn to a larger volume of deals for higher sums.

The end result is that dealmakers - whether vendors management teams or institutions - increasingly stay within a regional framework.

Mr Chris Rowlands, Midlands regional director of 3i. says: "Five years ago the majority of transactions were trundling off to London and the regional offices never had the opportunity to develop their skill hase. But there has been a shift of activity from London to the regions. We have brought the concept closer to regional management

Exits: by Christopher Price

teams so that they do not see these deals as City-based affairs. They are reading about them every day of the week, and they probably know sumeone who has done it or is doing

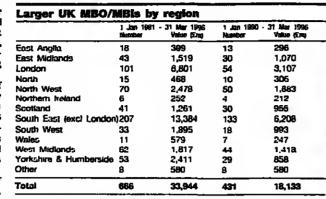
"It has brought the City (of London) to the regions. The professional infrastructure in these centres is such that it is now entirely possible to do significant transactions in places like Burmingham, Leeds and Manchester, in a way that was impossible before.

These regional networks of corporate financiers, lawyers and accountants bave had a palpable impact on the size and number of deals nutside London. According to research hy the Centre for Management Buy-out Research in Notting-ham University, the value of regional huy-outs and huy-ins has increased dramatically over the past t2 months in particular.

In 1994, the total value of deals stood at £3.75hn, but last year it rose by 15 per cent to 15.46hn. Outside The South East, the charge has been led hy the East and West Mid-

In the East Midlands, the total value of deals rose threepreviously unmanageable deals such as the buy-out of the Derhy-based rolling stock leasing company Porterbrook for £527m. However, the region was also lifted by the number of deals which rose from 37 to

In the West Midlands, the



value of deals rose by a more modest 81 per cent to £607m, agement buy ins rather than huy outs, which actually declined in value. Overall, the regiuo moved ahead as publicly quoted companies continued to divest subsidiaries and divisions, particularly in the manufacturing sectors.

However the picture was less rosy in Scotland, Wales and Northern Ireland, where the number and value of deals declined last year. In Scotland, the number of deals fell from 58 to 55, in Wales from 18 to 10 and in Northern Ireland from eight to five. In all these places, the market was squeezed by the lack of receivership cases over the past two

In Wales, some of this decline was offset by the sale of family-owned husinesses,

which also boosted the South West, There, the sale of former family husinesses represented three-quarters of all buy-outs and huv-ins.

Much of the increased activity has come from a sea-change participants. Not only are there more professionals with greater skills in the regions, but they have become far more active in chasing deals than they were in the past,

Providers of private equity finance have ceased to wait for deals to arrive from management teams and are now actively hunting opportunities to huy a company. This has pushed the trend towards the management buy-in and more latterly the "bought" institutional deal, where institutions lend the deal and management teams are involved only late in

The trend has brought into sharp focus the gap between the intermediaries, such as accountants, and the capital providers. Alongside the intense competition in the regions, the choice for manage-

the day.

turn for help is not an easy one, Mr David Hardy, corporate finance partner at KPMG in Birmingham, said: "The worst thing a management

team can do is go to the banks directly. They can look very There is so much involved in a huy-out that it needs a lot of planning. And the only advantage a huy-out team has is early knowledge, so they need to plan early to clinch the deal.

"The most important aspect to a buy-out is to check whether it is viable and that boils down to financial detail The financial adviser such as an accountant can assess whether the combination of the husiness and the manage ment can make the huy-out

This is not a view shared by the fund providers, who are accused of being unhappy with the "beauty parades" organised

However, the financiers feel they prefer a direct contact with a management team hecause they have a longerterm relationship with an investment than an adviser.

They also believe that the price of a deal is the most crucial aspect, which can only be resolved by the dealing closely

with the vendor. Mr Kevin Reynolds, director of NatWest Ventures in the able to open doors that others cannol. It makes sense in talk to the people with the money factor in an MBO is to buy a good enough husiness at a good enough price.

"Accountants can make a judgment about whether it is good enough, but we can say definitely whether it should get the money. And vendors feel more comfortable talking to us because they know they are talking to the dealmaker.

However, the real driving force hetween the shifting power between management teams, intermediaries and financiers, is the new financial muscle of the institutions.

"We have significantly increased the financial resources available to us and can underwrite larger kinds of equity and do higger deals,"

Analysis	of larg	er UK ME	30/MBIs	y quarter	•
117-34	Larger Meditable rumber	Larger MECLARBIO Value Em	Larger MBC/MBIs average £m	Est. value of saturber VBO/MSts Em	Total value En
1992					
i	16	640	40	180	820
1	13	400	31	180	580
11	15	410	29	180	620
V	10	820	62	180	1,000
	54	2,300	43	720	3,020
1993			•		
	9	380	42	200	584
1	13	540	42	200	740
JI	12	630	53	200	830
V	17	460	27	200	660
	51	2,010	39	008	2,810
1994					
	14	400	29	200	600
ı	26	650	25	200	850
11	20	910	46	200	1,110
v	22	830	38	200	1.030
	82	2,790	34	800	3,590
1995					
	21	750	36	200	950
l	30	1,280	43	200	1,480
l	27	890	33	200	1,090
V	37	2,980	81	200	3,180
	115	5,900	51	800	6,700
1996	_				
(lo date)	24	1,150	48	200	1,350

Qualification; Larger UK MBO/MBIs are those with total funding of over £10m Source; KPMG Corporate Finance, 1 April 1996

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Upturn in new issues

Confidence began to return slowly last year, helped substantially by the arrival of the Alternative Investment Market

The new issues market is enjoying a renaissance, with MBOs playing an important part in the revival.

There are several reasons for the upturn, including the continuing rise in the equity markets and the advent of the ket, which has opened an avenue for smaller company flota-

Perhaps most important of all has been the restoration in confidence in the new issue market after the tarnishing it received in the second half of 1994, which carried into the

The problem had started a year before, at the beginning of the recovery in the stock market after the recession. Fund managers looking to invest, particularly in what were perceived as recovery stocks, found a shortage of opportunities among blue chip companies and began casting around smaller companies, and inevitably on new issues.

The latter were usually priced at a discount to their sectors, providing a cushion for investors and in the hope of giving the shares a positive debut once trading hegan. They also contained a large proportion of classic growth sector stocks, such as in multi-media, hiotechnology and phar-

maceutical issues. Rising prices in the stock market inevitably percolated through to the new issues market, an increase fed hy the growing demand from institutional investors. The demand led to a rush of new companies coming to the market, some moving ahead of their previous planned joining dates in order to take advantage of the high prices institutions were willing

to pay The ensuing collapses were acrimonious. Aerostructures Hambles was one of several to highlight the problem of unsuitable flotations at unreasonable prices. The aircraft parts company was floated at 120p in June 1994 and had issued two profits warnings within four months. The 1992 MBO from British

Aerospace lost lucrative contracts and incurred production difficulties seemingly within weeks of coming to the market. The shares collapsed to 20p Last September, EIS hought Aerostructures in a £18m deal, worth about 31p a share.

Other similar mishaps, made worse by a decline in the stock market towards the end of 1994, led to institutional investors mounting a virtual boycott of the new issues market during the first part of 1995.

Sponsors were accused of not exercising their due dilligence correctly and demanding unrealistic prices. Venture capital ists were criticised for wanting to exit too quickly. Similarly, managements were suspected of wanting to realise their investments too early.

And the second s

Several high-profile flotations were forced to withdraw as a result of the subsequent investor indifference

However, confidence began to slowly return during last year, helped substantially by the arrival of the Alternative Investment Market. The market for smaller companies began trading in June and has been responsible for providing a stimulus to a large number of companies which would not otherwise have floated.

Institutions also claim that prices have become more realistic on the main market, a factor which has fed through to renawed interest and revival of interest from companies seeking a flotation.

This year, for example, the number of flotations rose sharply in the first quarter. On the main list, the number reached 16, raising nearly £1hn - compared with 22 flotations raising £851m last year. However, including figures from Aim, there were 46 new issues with about £1.13hn raised this

The pricing issue, with insti-tutions remaining sensitive to the problems of 1994, has continued to feature in many recent new issues. Century lons, for example, finally managed to secure a listing in December, but only at the second attempt, and at a 10 per cent discount to the price which the puh group was origi-

nally seeking. The shares were placed at 120p, giving the group - which had already pulled one float attempt in the previous February - a market value of £47.4m; about £7.5m helow original expectations. Similarly, the £22.7m of new money was raised, against hopes of about £30m. One result was that the venture capitalists who had backed the MBO decided not to sell any shares at that price.

Century claimed its flotation

the flotation of the rival Enterprise lnns the month previously. The shares have since

risen to 135p. Cortworth, the specialist engineering group, has fared better, reflecting the company's niche position, strong trading record and investor interest in engineering. The shares were valued at the top end of market expectation when they were placed at 150p in November.

They have since risen by a third to 200p, huoyed recently hy reporting a doubling of annual pre-tax profits.

liams Holdings to its manage ment for £40.3m two years ago. The company and its advisers had been expecting a valuation of about £60m.

Another MBO to receive a warm reception was Vero, the manufacturer of racks and enclosures for the telecoms industry. It also floated in November, its shares being placed at 220p in an issue which was oversubscribed. However, since then they have drifted, climbing in only a 9 per cent premium, despite producing good results recently. The shares have suffered, however, on the back of a profits warning from one of

its competitors. These mixed set of post-float performances reflect as much on the vagaries of the market as the differences between the individual companies and their

particular sectors. However, research by the for Management Buy-Out Research at Nottingham University found that MBOs floated last year outperformed the FT-SE-A All-Share index by 25 per cent. The CMBOR index has increased hy 118.7 per cent since December Smaller Companies index has increased by 79 per cent.

Date of exi	Total number of	Edited by a Dec-95		Exted by end Dec-94	
entry	MBO/MBIs	Number	•	Number	%
1981-85	48	45	94	45	94
1986	27	26	96	24	89
1997	33	27	82	28	79
1988	55	40	73	38	69
1989	72	45	63	40	56
1990	60	33	55	26	43
1991	45	18	42	14	31
1992	54	28	52	17	31
1993	51	18	35	10	20
1994	82	5	6	1	1
1995	115	0	0	0	0
Total	542	286	45	241	38

Year of	from larg	Number of Hotabons	Number of failures	Total number by appl year
1982-85	3	7	0	10
1986	4	6	0	10
1987	8	8	0	15
1988	7	11	2	20
1989	13	6	1	20
1990	10	3	8	19
1991	8	3	5	16
1992	12	8	71	31
1993	20	24	4	48
1994	19	29	3	51
1995	29	13	3	45
1996 (to date)	11	1	0	12
T-4-1	144	115	35	298

Outrification: Larger MBC/MBIs are those with total funding of over £10m Source: KPMG Corporate Finance, 1 April 1996

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The Sweater Shop Group Limited

£150 million

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Morgan Grenfell Equity Partners

British Aluminium

£265 million Management Buy-out

Morgan Grenfell Development Capital Limited

Morgan Grenfall Equity Partners

CGA Direct Group Limited

£20 million **Management Buy-out**

Morgan Granfell Davalopment Capital Limited

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SEK436 million

Management Buy-out

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Deutsche Morgan Grenfell



Best and worst of times

The funds attracted some \$20bn of new money last year and now must have about \$35bn burning a hole in their pockets

These are the best of times and the worst of times for the US buy-out industry. There is more cash available than ever before - in the form of both equity and debt - to hack acquisitions. Yet the US stock market's dramatic climb last year has put private investors at a disadvantage to public companies, which can - and have - taken advantage of high valuation levels to issue stock

in support of their purchases. This is the point in the cycle when it is better to take companies public than to take them private. It is, in short, not an environment where cash huyers typically prosper.

Yet cash bas been pouring into US leveraged huv-out funds. In part, that is a reflection of their recently achieved respectability: the best-known buy-out firms bave now been in business more than 15 years. and have been through at least two investment cycles (most hope to hold investments no more than five to seven years.) That has been long enough to convince cantious pension fund managers that their high rates of return are not simply a

Five or 10 years ago, few defined beoefit pension plans had made investments in the huy-outs funds, says Mr Roger Bransford, managing director of Watson Wyatt's north American investment consulting business. "Now, It's not at all uncommon to see 5 per cent or more" of a plan's assets in such vehicles, be adds. The result has been a wave

of new cash. The funds attracted some \$20bn of new money last year and, by a conservative calculation, now bave about \$35bn hurning a hole in their pockets - although some estimates put the level of uninvested equity at \$50bn or more. Given the ratio of debt to equity typically seen in leveraged buy-oots these days (about 3 or 4 to 1), that suggests that the funds have the combined fire-power to mount acquisitions worth \$150bn or more.

The money is still flowing in. In recent weeks, some of the hest-known of the US bay-out firms have put the finishing touches to new funds. Forstmann Little has just raised \$2.3hn, its largest-ever fund. less than a year after completing a \$1.9hn fund. Kohlberg Kravis Roberts bas been working on a giant fund of its own.

The latest KKR financing points to one result of the growth of the huy-out business. The firm, famous for the huge fees it garnered from the purchase of RJR Nabisco, has now been asked hy its investors to scale back its share of the profits it generates. The private equity business "used to be a sellers' market," says Mr Bransford at Watson Wyatt: "Now, [pension] plan sponsors are getting a bit more assertive over fees."

It will not be easy to find a profitable home for all the money that has been raised. The cash now at the funds' disposal compares with total spending on US takeovers and mergers in 1995 of some \$600bn, a record year. And as equity has become the favoured currency of the takeover husiness, buy-outs have hecome relatively less important: they accounted for only 3 per cent of last year's acquisi-tions, compared with 14 per cent in 1998, the previous record year for US merger and

acquisition activity.

Desplte this, the biggest buy-out specialists, and other financiers, argue that it is pos-sible to sustain their investment returns.

Mr Joseph Rice, chairman of Clayton Dubilier & Rice, whose \$2.7bn purchase of Riverwood International has been among the biggest recent transactions in the US, says competition for acquisitions is nothing new. Three public companies were among bidders for Riverwood, he says, yet a private investor group led by CD&R prevailed. Mr James Lee, head of global investment banking at Chase

Manhattan, the largest lender on sub-investment grade transactions, adds: "Smart investors over a long period have heen able to achieve very high rates of return. I don't see that changing." Mr Lee, like others in the business, points to the process of corporate restructuring under way in the US and, increasingly, internationally. as the main source of transactions to feed the buy-out machine. Companies have been forced to shed badly-performing, or uon-core, operations to focus on husinesses where they have a competitive advantage.

Also, the opportunities for big, sbort-term gains still exist, suggesting that the inflation in asset prices generally has still left room for a bargain. Among the most spectacular was Forstmann Little's \$700m profit from the sale late last year of Ziff-Davis, a US publisher of computer magazines. That represented a near-50 per cent premium over the price Forstmann had agreed to pay for the

group less than a year before. increasingly, though, the amount of equity at their disposal bas led the US buy-out funds to search for new ways to invest. This has included the development of leveraged huild-ups, in which a fund builds a husiness by buying and merging smaller companies in the same industry. That

consolidating industries, among them insurance. Also, according to CCD&R, it means being more creative and inventive - being prepared, for example, to form partnerships with other investment groups

has given the buy-out special-

ists a position in a number of

or companies themselves. With patience, the huge volume of cash oo hand can be invested well, says Mr Lee at Chase. And at this stage at least, there is no sign that the funds are tripping over each other in their haste, says Mr Brausford at Watsou Wyatt. The eothosiasm for private equity funds hears little comparison with previous investment manlas, like the rush into real estate at the end of the 1980s, he says, The search for new invest-

likely to take the US buy-out funds abroad. While KKR already has an office in London. CD&R has been exploring possible investments in Germany through an alliance formed two years ago with Deutsche Bank. Other funds have set their sights on the emerging markets of central and South America, or Asia. Most new funds include a provision to allow them to invest a proportion of their money overseas, says Mr Lee at Chase. That could be the first sign of a new interna-

tional presence for US huy-out

ments, meanwhile, is also

France: by Andrew Jack

The potential is enormous

There is a growing trend among the country's large conglomerates to begin to splinter, creating the scope for MBOs

France remains one of the most important markets in continental Europe for management buy-outs - but it is still a relatively small hlip compared to the significance of activity In the UK.

Mr Denis Mortier, bead of Financière St Dominique, the specialist development capital group based in Paris and controlled by Crédit National hank, says: "The market in France is strong and is growing." But he stresses that currently the greatest strength in the country lies in the midsized deals with demands in the range of FFr200m to FFrihn, with far fewer small or very large-scale operations.

His husiness, founded in 1986, has already launched two funds designed to provide financing support for MBOs in France, and is planning to launch a third in the next few months which aims to attract investors from around the world seeking to support deals in companies spread all across

Europe. Not everyone is so positive. Mr Jean Bergeret, bead of acquisition finance for contiuental Europe at Paribas, says there have been only a modest number of deals for more than FFr100m in the past year, "The market was extremely large in the early 1990s. It has progressively decreased since then." he says. He points notably to ltaly as a market where he

sees greater growth.

The paradox is that the potential in France is enormous. By some measures it is the world's fourth-largest economy, with an industrial base to match that of the UK, and the scope for MBOs should be substantially more than It is at present. Certaioly there is a growing trend among the country's large conglomerates to begin to splinter, creating the scope for MBOs. Credit Lyounais, the state-owned banking group, is being forced to sell off a number of its non-core activi-ties as part of a FFr135bn

restructuring exercise. The group Chargeurs announced earlier this year its intention to demerge into two separate quoted groups covering its two principal poles of activity: textiles and eotertain-

Suez, the flagship industrial and iluancial conglomerate, has begun a series of asset disposals, most notably the recently-confirmed sale of a controlling stake in its banking arm Banque Indosuez.

Parihas has announced a FFr15hn asset sell-off programme over the coming three years to allow it to refocus its financial activities and to raise new money to cover its restructuring. It bas already egun sales.

Uoder Mr Serge Tchuruk, its new chairman, Alcatel Alsthom, the telecoms and engineering group, has also begun to re-centre its activities and to seil off non-core husinesses such as some of those in the field of publishing.

Politically, there was considerable optimism about an environment more favourable to business following the victory of Jacques Chirac in the presidential election one year ago, replacing the socialist François Mitterrand with the centre-

right policles of the Ganllist

RPR party. Certainly, there have been growing signs of support for small and medium-sized husiness, with Mr Alain Juppé, the prime minister, last November launching a series of measures including tax ahatements. reductions on electricity and gas bills, lower interest rates and other forms of financial support.

More generally, a number of the economic indicators are positive. Stock market activity has begun to pick up, with the CAC 40 index of leading quoted companies rallying strongly. In early May, for only the second time in contemporary history, the yield oo 10-year French government bonds fell below that of their German counter parts. However, the French economy is sluggish. Estimates have been consistently downgraded, with official projections suggesting growth of little more than 1.3 per cent for the current year.

Mr Bergeret says that investors in MBOs used confidence in future cash flows and profits. So far, the mood remains relatively gloomy among many husinesses

At the same time, the trend towards corporate sell-offs has not always led towards MBOs. Often, businesses bave been sold or exchanged hetween large conglomerates rather than handed to their managers. Those currently in charge are not always those best able to take an entrepreneurial risk.

One factor which has dampened the volume of MBOs in France is the regulatory and fiscal environment. A number of lohhies bave called for reforms to the existing system. tocluding the present inheritance taxes. However, the current government has pledged reform to the system of transmission d'enterprise, and most financiers say the obstacles are

now relatively marginal.

A second and more impor-tant factor which has long held back the market for MBOs in France has been a cultural one. It relates to the fear of risk-taking, in a country in which to

be salaried and part of a large

group has long been important. Mr Bergeret cites the example of a story he told to one manager of another client, who said he was selling his car and his second home and putting everything he had into a buy-out of a loss-making business he was buying from a US group - and which be has since turned around. The manager replied that be was not willing to take such a risk with his assets. "He didn't have tha sheer drive, and even if ha had wanted to go ahead with the deal, I don't think I would have worked with him." he says.

A third factur which has held back MBOs in France is the limited scope for subsequeut "exits" by managers selling their shares onto the stock market. While the French CAC index has been rallying over the past few months, its performance remains poor in comparison with other exchanges such as London.

Mr Mortler also cites the long-standing French practice of using shareholder of reference, partly reflecting the relatively absence of investors, which makes an exit to the market complicated.

As a result, he says that most of the deals in which he has been involved use a trade sale to allow the managers to sell their shares. He adds that be is currently looking at an alternative in one case; an exit of a French buy-out onto the London stock exchange

Générale de Service Informatique (GSI)

Telling tale of challenges

The 25-year corporate history of GSI, a Freuch computer services group, is one of the most telling stories in the evolution of the country's system of management

Its development - from origin, through an offer to shares to employees. subsequent negotiations and eventual sell-out - says much hout the regulatory chan cultural challenges and financial obstacles to overcome with huy-outs. Générale de Service

Informatique (GSI) was founded in 1971 by Mr Jacones Raiman. The aim, thrashed out with two former fellow students and friends from the elite French Ecole Polytechniqua and its ponts et chausses engineering corps, Mr Georges Pébèreau and Mr Philippe Gluntz, was to provide computer services ssistance to husinesses.

From the start, GSI developed under the wing uf Compagnie Générale d'Electricité, the engineering giant that would later become Alcatel, one of France's furemost telecoms and engineering groups. Mr Pébérean had become CGE's chairman, and Mr Gluntz would hold a series of senior positions with GSI then CGE. CGE liself went through a series of important transformations, not least its nationalisatiun in 1982 under

sympathetic Meanwhile, ironically, Mr Edouard Balladur - who would go on to become France's prime minister in 1993 under the centre-right RPR Gaullist party banner and be a presidential candidate in 1995 - becam GSI's chairman in 1977.

GSI, according to Mr Gluntz

the socialist administration of President François Mitterrand

to which Mr Pébérean was

developed an extremely strong corporate culture with very loyal employees and managers. From the start. they had been promised the prospect of shares and the chance of gaining their independence from CGE. Yet despite the changes at the top of the company and its parent, there was little sign of the pledge being honnured

All that changed when the

political right came to power in the legislative elections of 1986. Mr Balladur left GSI to become minister uf economic and finance, and Mr Pébérean was replaced as chairman of CGE by Mr Pierre Suard, who remained in place until he was placed under investigation by a French magistrate last year. philosophy, and believed that GSI was no longer a logical part of the group and should be sold uff. Its strong internal culture suggested that a

buy-out was the best solution. The conditions were helped

hy Mr Balladur, who in his new role introduced a law

making employee huy-outs feasible by permitting interest payments on the debt in a holding company deductible against profits from its operating subsidiary - the only way to make a deal financially attractive.

In 1987, the buy-out went ahead, and was a huge success. Some 1.500 of the 2.500 staff bought shares. As they resold a substantial minority stake a few weeks later to a series of ontside investors, partly to pay duwn

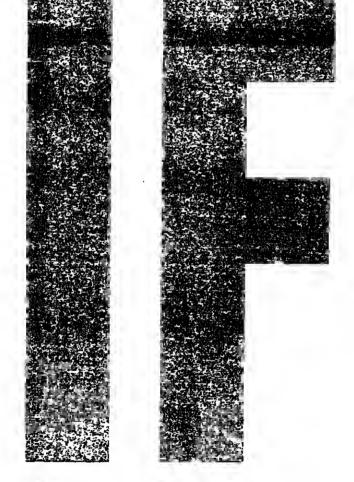
the debt incurred by the deal. But the group failed to carry out its original plan to seek a listing on the stock market in 1991. The situation of the stock market subsequently began to Worsen, making a listing mure difficult. So did the financial health of the group, in which profits began to fall, "They mixed their role as sharehulders and as managers," says Mr Gluntz.

In 1993, the managers created a complex new legal holding company, permitting them to retain control while selling more shares to nutside investurs to help with a refinancing. But the situation continued to deteriorate. "At the end, people wanted their

money," says Mr Gluntz. He was invited in March 1995 to take back control of so - but at a cost. He launched a restructuring programme, refocused its activities, and arranged the sale of all but a handful of the shares in October last year to ADP, the

OS data processing giant. "It was a success in terms of the muney for the original shareholders," he says. They received FFr2,300 for each share, against the original cost to them of FFr100. "But the unly way to do so was to lose

Andrew Jack



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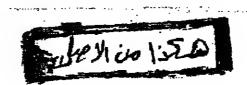


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Germany: by Laura Covill

Role models needed

Although the MBO business in Germany is growing, it still has not achieved a real breakthrough

Economic recession has returned to Germany, and alternative methods of financmg are back in demand. This time, the problems facing German commerce and industry are not just the result of a downturn in the business cycle, hut have been caused by fundamental structural weak nesses, Restructuring, divestmem and focusing on core businesses are now the norm.

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As a result, venture capital firms are receiving an unprecedenied number of inquiries about possible management buy-outs, from smaller familyowned businesses and from

Yet Mr Hans Damisch, chairman of the German Venture Capital Association (BVK), is more encouraged by this surge in interest. Too often, he argues, an MBO is wrongly regarded as a rescue operation fur a business which has censed to be viable, or as a last resort for proprietors who have falled to sell their company to a trade buyer. Not surprisingly, very few of the German MBO plans proposed by either boyer or seller ever come to

Mr Damisch feels obliged to remind the business public that MBOs are a vehicle for successful companies, not for corporate failures.

Two large corporations, AEG and Rütgerswerke, have spun off hosiness divistons in the form of MBOs in recent months, but venture capitalists say these two cases were exceptional and oot the beginning of a new trend.

Although the MBO business in Germany is growing, it still bas not achieved a real breakthrough. There were just 59 deals last year, compared with 44 deals in 1994. Mr Damisch says that MBO activity in Germany has not yet reached the stage where it has generated its own momentum.

3i, the UK-based venture cap-Ital firm, bas been active in Germany since 1986, but has invested just DM230m in 52 companies, three-quarters of those transactions being MBOs or MBIs. Mr Andrew Richards, he is disappointed with the never turned down an MBO



Hans Damisch: not encouraged by

years, "All the prerequisites are there, but they never seem to come together," he says. In theory at least, Germany

has an enormous pool of small and medium-sized companies whose ownership problems could be solved by means of an MBO, According to 31 estimedium-sized German compames with a nurnover of at least DM20m whose proprietors will wish to hand over control of the company within the next five years. Not all these individuals have children who are willing or qualified to manage

"Given the number of familyowned companies in Germany. the market for MBOs should actually be larger here than in the UK," says Mr Albrecht Hertz-Eichenrode, managing director of the venture capital firm Hannover Finanz, which has financed about 20 MBOs.

Furthermore, no one in the venture capital market doubts that there is sufficient capital available: most of the players are owned by banks.

Even the old gripe about the lack of exit possibilities is not the main difficulty, according to several MBO financiers. It is true that venture capital investors rarely get the opportunity to divest by means of an initial public offering. But the lack of a liquid equities market for small and medium-sized companies has been an issue for so long that investors have developed a range of other exit possibilities, particularly trade

Mr Damisch, who is the managing director of BdW, a ven-ture capital firm owned by slow growth of the venture opportunity for fear that the capital market during those 10 company could not be floated."

the individualistic nature of many German entrepreneurs is the main reason why these sttnations do not translate into more MBOs. "The owner of a small or medium-sized business is inclined to do most of fles the company, and takes on staff who tend to be loyal subordinates, but are not entrepreneuriat types themselves."

"Entrepreneurs are still trying to hang on to the company for as long as possible - and leave it too late before they think about a successor," adds Mr Hertz-Eichenrode, "Moreover, neither owners nor managers are acquainted with the idea of an MBO. The concept still has to take root here."

At the same time, Mr Damisch says, there is a relatively small pool of executives who are willing to give up a secure managerial job with its guaranteed income, the accompanying pension rights and other perks. to become entreprencurs.

And when proprietors do sell to managements, they often try to restrict the manager's freedom to action. Mr Claus Peter. head of the specialised finance division of BHF Bank, has seen MBOs where the manager is obliged to accept the offspring of the original proprietor as sleeping partners "who take no management responsibility. but participate equally in the profit opportunities." Despite these difficulties, the

potential of the MBO market is attracting a growing number of intermediaries. The BVK now bas 75 members, led by 3i, Schroders and Alpha Associes, which has just recruited Mr Thomas Schlytter-Henrichsen. previously one of two managing directors at 3i Deutschland. Most of the other players are

their main source of business. Most MBO deals in Germany are still worth less than DM30m, with transaction sums In excess of DM100m still extremely rare. The largest MBO to date in Germany was the recent takeover of the flooring company Tarkett, which also went public. Mr Peter says be is working on an MBO of a company with annual turnover of DM200m.

All agree that more details like this are needed to establish role models for German industry and executives alike. Only then does the MBO market have a real chance of takbelieves that the German market is capable of producing 300 to 400 deals a year.

CASE STUDY

Pagette Sanitär Produktions und Vertriebs



Frustration led to buy-outs

After more than three years of ptanning, a management buy-out of Pagette Sanitar Produktions und Vertriebs, a manufacturer of thermoplastic lavatory seats and cisterns. located in the Ruhr, was finally completed in March. Mr Volker Steines and Mr Bernd Steinhöfer believe that they succeeded against the chance and good inck," Mr Stelnhöfer says.

owned by banks, which act as Finding an MBO financier had not been easy, say the company's new owners. Then premises and the challenge of winning the trust of the workforce. But the greatest difficulty Mr Steines and Mr Steinböfer faced was to persuade the management of the Rütgers industrial group to sell an unwanted division to its own sales manager and his predecessor.

Pagette bad formed part of the Riffas building materials subsidiary of the Rütgers group. Back in 1989, Rhfas decided to concentrate on activities which no longer fitted in with its new profile. But the plan was forgotten

to the excitement of German unification and the rapid growth of construction in eastern Germany.

Pagette's sales doubled to DM38m by 1994, boosted by new products and improved marketing. Clearly, Rufas was in no hurry to sell the last of its eight peripheral businesses Yet because Pagette was still

on the divestment list, the division was deprived of strategic planning and investment, savs Mr Steinhöfer. The workforce was used as a pool of spare labour elsewhere in the group. Moreover, Rufas's "bizarre" internal accounting produced a permanent annual net loss of about DM2m at Pagette, although the operating result remained healthy over the

In the end, frustration drove the two partners to consider an MBO. "It was intuition.

born out of despair." according to Mr Steinhöfer, 41. "None of my customers liked

to do business with Pagette, and some had even hanned us from making sales visits. We thought that unless we acted. the division would soon be defunct."

Mr Steines, now 47, had left his position as sales and marketing manager in 1991 and was replaced by Mr Steinhöfer. He returned to Rifas the following year to propose an MBl. The suggestion was rejected out of hand, be says, "with an absurdly high price". Rhfas's attitude changed

only when a new managing director was appointed last

Even now, Mr Steinhöfer and Mr Steines remain convinced that Rufas would have preferred to sell the division to a competitor, or to another industrial group.

"Getting a signature from them was the toughest part of all. We were constantly afraid that another buyer would

emerge and sweep us away with a higher offer." But no counter-offer ever

What swung the balance for Ritfas, according to Mr Gisbert Ribl. its new managing director, was that Mr Steines and Mr Steinböfer bad financial backing from a private investor who already owned a company in the same business - Mr Curt Borgensten of the Johnson Suisse group.

Rüfas's chief concern was to preserve jobs, and Mr Rühl made it a condition that the three new owners should guarantee the jobs of 65 staff for a period of three years and bopour their pension rights accumulated over an average of 17 years with the company. The commitment is considerable; total aunual

wage costs amount to about DM90,000 for each employee In return, the buyers negotiated a reduced purchas

Unlike many German businessmen, the two friends had heard about the technique of management huy-outs, but they nevertheless had little tdea of how to find a financier Talks with the credit division of Johnson Suisse's bank. which happened to be Deutsche Bank, proved

fruitless.
A contact in private banking specialised finance division at BHF Bank in Frankfurt, and it was BHF that finally arranged

Like many German MBOs. this was not an equity transaction, but a debt deal. Apart from the sum of DM2.4m provided by the three new proprietors, the rest of the undisclosed purchase price was provided by BHF and its financing partners, which now hold a majority stake in the the toan. If all goes according to plan, the debt, plus interest at variable rates, will be repaid out of operating revenues within five years - at the same time reducing the bank's stake in the company

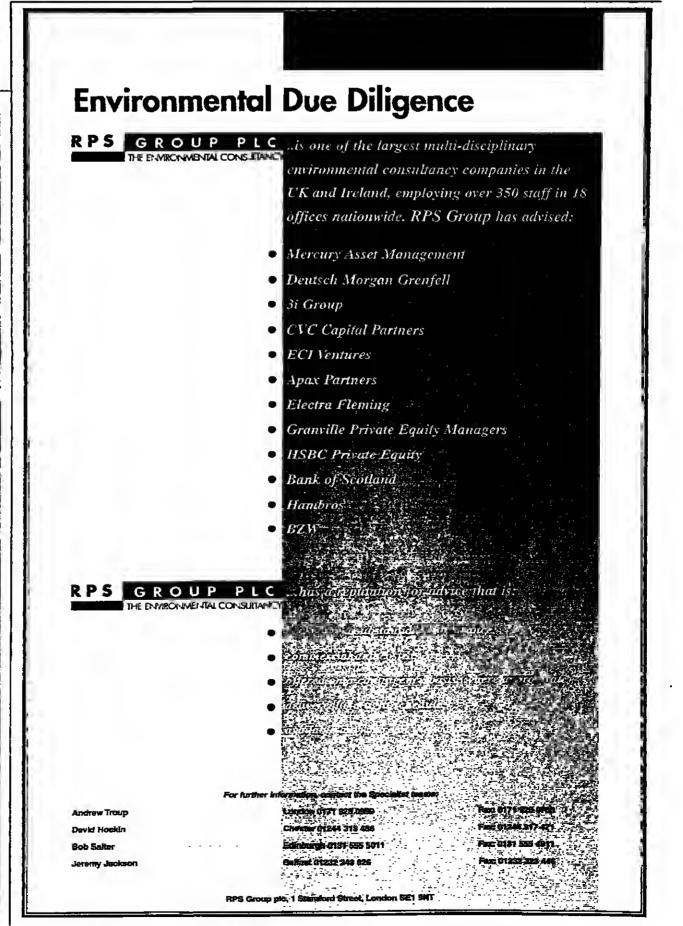
to zero. Once Rufas's htessing arrived on November 1, the two managers (Mr Borgensten plays no part in management) had to act quickly to reorganise the company before ownership was transferred on March 31. A move was necessary, since Rūfas wanted to close down its old premises

in Essen. Although the economic situation in the Ruhr is difficult, the search for suitable premises took until February. Finally, a suitable production site with a small office building was located in nearby Bottrop and the move was accomplished in several stages during three weeks in

Mr Steines and Mr Steinhöfer are now working to ensure that the move and the change of ownership do not interrupt their production and sales schedule. "If you leave this business even for a short time, the competition will destroy you. The market is

Laura Covill





10 MANAGEMENT BUY-OUTS International perspectives

Alternative markets: by Christopher Price

There are currently 140 companies listed on Aim, with a combined market capitalisation of more than £2.5bn

Private companies seeking alternatives to a trade sale to realise their value have never had it so good. The number of exchanges seeking members is set to more than doubla in the next two years, while admission regulations are being increasingly relaxed.

First off the block has been the London Stock Exchange. Anxious to head off the threat of European competition, it launched the Alternative Investment Market last June, aimed at smaller and growing companies

In order to give the new market a good start, the stock exchange announced the closure of the 4.2 trading facility. which had been used by more than 300 companies as a means both of trading shares and, to a limited extent, raising funds. but without the cost of a full

The strategy was successful in persuading about 100 former 4.2 companies to transfer to Aim, attracted by less onerous admission requirements than the main list - and the lower cost. A transfer costs as little as £10,000, against 10 times that amount for the main list.

Unlike tha main market, Aim imposes no minimum on the percentage of sbares in public bands; no minimum market value; and no minimum trading record. Most controversially, new companies on Aim do not need a sponsor - normally a stockbroker or merchant bank which scrutinises the accounts and prospectus on behalf of potential investors. The stock exchange. which will not inspect a candidate's prospectus either, has handed the job of policing to nominated advisers. These are vetted by the stock exchange and take on the role of making sure companies stick to the

There are currently 140 companies listed on Aim, with a combined market capitalisation of more than £2.5bn. The market bas traded more than 2bn sbares since its launch, equating to more than £692m. More than £243m of new equity capital has been raised by Aim

The second atrand of the LSE's strategy is likely to provide a further boost to the new junior market when the Unlisted Securities Market is terminated at the end of this year. There are more than 200 USM companies and the stock exchange has stopped any new entrants. However, many of its members are expected to step up to the main list rather than move over to Aim.

While the closure of the USM will cut off one avenua for MBOs. the LSE considers Aim. to be so established that it, or the main list, will fulfil all trading and capital-raising requirements.

However, this has not prevented the emergence of a further avenue for flotations - Ofex, an unregulated and unofficial market instigated by JP Jenkins, a London marketmaking firm. Jenkins stepped in to plug the gap between those 4.2 companies which did not wish to transfer either to Aim or the main list and which wanted a facility to trade shares. These included the giant family-owned cereal group Weetably, and the

National Parking Corporation. While serving as a bome for about 50 refugees from 4.2. Ofex has increasingly been attracting flotations of its own, with the equity capital being raised on a near-regular basis. Jenkins is using its electronic small company news service, Newstrack, as the basis for the

Companies pay £2,000 a year to be on Newstrack, which runs on three of the City of London's main financial news services and acts as a noticeboard for news, such as results and trading statements.

However, the fact that the market is not regulated by the LSE - and many of its stocks are tightly traded - has meant that many mainstream institutions are unlikely to be regularly involved.

Other competitors to the LSE are gathering on the horizon. Easdaq, a pan-European exchange, has announced its intention to begin trading in September. It is modelling

LSE sets the pace Buy-out team scales new heights

The name on the backpack in exchange, and likewise bopes front of you is increasingly likely to be Lowe Alpine. The to attract the attention of companies in high-technology sports leisurewear group has The exchange will be based seen its sales grow by 50 per cent in the past three years as in Brussels but traded electronit has successfully reorganised ically across Europe. It expects and exploited the growing to list about 20 companies popularity of outdoor pursuits when it opens, many of them dual listings with Nasdaq, and The humble backpack helped launch the company to add 20-30 more in its first

year. The target is to trade the

shares of 500 companies on

Easdaq within five years, with

an emphasis on information

technology, biotechnology and

other fast-growing fields. Join-

ing costs would be in the

floatation valuation.

region of 5 to 7 per cent of the

Another European competi-

tor to emerge is the Nouvean

Marche, which began trading in February and has attracted

three companies. The Paris-

based market aims to provide

financing for small capitalisa-

tion companies while generating enough liquidity to attract

offset the weakness of the ven-

ture capital and small business

sector, which has suffered from

the lack of powerful pension

funds able to provide capital

and a cautious stance by

Under the rules of the new

be from France or other coun

tries and will be vetted by a

10-member advisory commit-

tee. The companies must have

total assets of about 53m and

minimum shareholders' equity

of £1m. The number of shares

available to the public must be

shareholdings must retain 80

per cent of their investment at

the time of introduction to the

market, for a period of three

A German version - the

Neuer Market - linked to the

Frankfurt market, is scheduled

for start-up in 1997, with a

Brussels version also planned.

exchanges, such as Tradepoint,

and on the Internet, are likely

to offer further ways for com-

panies to attract investors.

could follow.

float must be at least £1.5m. Founders and managers with

a minimum of 100,000 and the

a broad range of investors.

which was founded in the 1970s by the Lowe brothers mountaineers who had developed a revolutionary design for the serious walker and climbers' favourite

By the late 1980s, the company had sprawled into three separate divisions in as many countries and was producing a wide range of outdoor clothing and produ It had also become part of the Famco business empire, owner of Silent Night beds, which was beginning to attempt to restructure the business into a

more manageable In France, it is designed to organisation. However, its efforts were sbort-lived and in 1993 the ement of Lowe Alpine began to discuss a buy-out. Several venture capitalists were approached by CFL, an Irish financial boutique, with Phildrew being chosen to lead market, companies applying to be listed on the exchange can the move.

"Although the group was in three divisions, we did see endous benefits and notential if we could bring them together and make them work together," says Mr Robert Jenkins, a partner at

The £13m buy-out of 1993 was led by Mr Andrew Williamson, chief executive Richard Raworth, who is chairman of Prontaprint, as non-executive chairman.

We felt the business needed to benefit from the experience of an outside busines some standing," says Mr Jenkins.

Mr Jenkins outlines three A link-up between the three criteria which attracted Phildrew to Lowe Alpine: If this were not enough, the The market for outdoor development of new electronic recreational products was growing strongly; There was tremendous

scope perceived for managing the business as a group rather



we Alpine has successfully reorganised and has exploited the growing popularity of outdoor pursuits

than as three separate companies; and Lowe Alpine was seen as an innovative design leader and had several products, particularly its waterproof ontwear, considered to bold great potential and be set for strong growth.

Mr Raworth identified other attractions on his arrival at the company. For example, Lowe Alpine had a strong brand abroad, which was not being sufficiently exploited. Its presence in the UK was less visible, and here again presented enormous potential.

Finally, the company differed from many other outdoor leisure groups in that it was not run by enthusiasts, but as a professional business. The three companies, the manufacturing arm operating

in the US and Ireland, and an importing division in the UK, were being run as separate companies. "They even considered themselves as competitors to each other." says Mr Raworth.

After the bny-out, a reorganisation was indertaken which brought the three divisions closer together, producing cost savings as well as synergies. The Lowe Alpine

brand was supported and promoted, particularly in continental Europe, "The important sense I have tried to instill is that Lowe Alpine is our birthright," says Mr Raworth. Lowe has also consolidated

the distribution of other branded products and is now the distributor of virtually all of Benetton Sportsystem products, including Prince racquets and Rollerblades. Expansion has followed.

with European sales targeted in particular. "We aim to be number one in Europe," says Mr Raworth. The company has already bought out its French and German distributors, and more could follow. Operating profits have

grown from £1m in 1993 to £3m last year. Turnover in that period has grown from One of the strengths of the

Christopher Price business has been in the

development of the Triple

the main competitor to Goretex, the leading outdoor

material, However, Mr

Point fabric which has become

Raworth claims that Triple Point is both cheaper and, in

its rival. "It has given us an

edge," says Mr Raworth.

it has issued as part of the

two other venture capitalist

some cases, more durable than

Phildrew has been drawing

dividends on preference shares

buy-out. It has also brought in

investors for smaller minority

Mr Jenkins says Phildrew

further for "several years" yet

flotation would be one avenne,

but a trade sale would also be

considered. "Where we can, we

will back the management's

strategy on this," says Mr

sees the company developing

before wanting to exit. A

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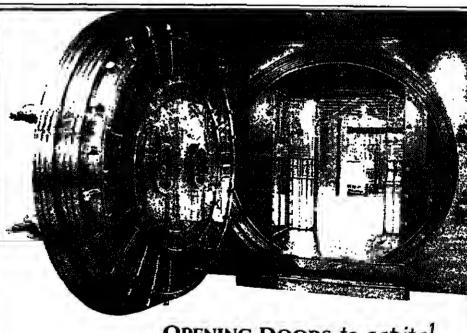
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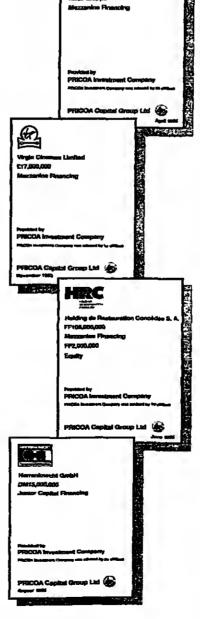
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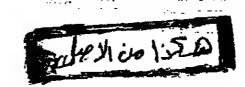


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Stock split lifts Chrysler shares

Shares in Chrysler, the US car manufacturer, jumped on news of a two-for-one common stock split and a 10 cents a share increase in the company's pre-split common stock dividend. The group's shares rose \$1% to \$66% in early trading. Chrysler has raised its dividend six times, a 360 per cent increase, since October 1993. Page 24

Tabacalera stubs out smuggling A clampdown on cigarette smuggling into Spain helped the state-controlled Tabacalera group to a 30 per cent growth in consolidated first-quarter pre-tax profits to Pta5.43bn (\$42.4m). Page 22

Deutsche Telekom in Majaysia talks Technology Resources Industries, operator of Malaysia's leading mobile telephone service, is in talks to sell a minority stake to Deutsche Telekom. The deal could allow the state-owned German company. scheduled to be privatised this year, an involvement in developing the Malaysian market for basic

Edper returns to equity markets
Edper Group, the main holding company of the resources and financial services conglomerate formerly controlled by Toronto's Bronfman family, has made its first foray into equity markets in several years. It has raised C\$170m (US\$125m) from an issue of 7 per cent, 10-year subordinate convertible debentures. Page 24

Japan's brokers back in the black Japan's leading stockbrokers returned to the black in the year to the end of March. But with the outlook for the whole securities sector still far from certain, none of them expects a similarly strong improvement in the year ahead. Tonemora puts Nomura's UK arm on track, Page 25

Record annual profits at Kyocera

Kyocera, the Japanese electronic components, communications equipment and fine ceramic parts group, posted record group sales and profits for the year to March 31. Demand for its products was fuelled by strong growth in Japan's cellular communications market and by PC markets. Page 26

BTH shares slide after warning A profits warning at BTR sent the UK industrial manufacturing group's shares tumbling in London. The stock fell almost 5 per cent after BTR revealed trading difficulties in its polymer and automotive operations. It said problems at its Taiwanese poly-mer plant and high start-up costs in its automotive sealings business would dent its first-half performance, with operating profits failing to match the £750m (\$1.1bn) reported last year. BTR shares fell 14p to 297p as more than 21m shares changed

National Power in \$1,5bn handout National Power is expected on Monday to announce plans to return more than £1bn (\$1.51bn) to its shareholders through a special dividend and a large annual dividend increase. It is likely to be the largest payout to shareholders by a UK company, com-parable only to the £1bn special dividend TSB paid to shareholders in November prior to its merger with Lloyds Bank. Page 27

Kankaku Securities Kokusai Securities

Companies in this issue 26 Hardle, James 22 Hewlett-Packard 22 Hindustan Motors

hands. Page 27

19 Kyocera 22 Lucas industries Apple Compute Lucasfilm Manager Media Mitsubishi Estate British Alrways British Ges British Midland British Telecom Mitsul Toetsu Chem National Power New Japan Securities Niidko Nikko Securities Ciyda Petroleum Nomura Internationa Compass Cosmo Securities Nomura Securities Okasan Securities PepalCo Quaker Oats Pai-ichi Securities Dalwa Securities Sanyo Securities Sumi Realty Tabacalera Talaho Phann Technology Resources Tokyo Securities Edper Group Toray industries 22 Utd Communications

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HP disappoints in second quarter

Hewlett-Packard, for many years a Wall Street favourite, saw its share price fall sharply yesterday when the computer and electronics group reported lower than expected quarterly earnings.
Although net income for the second fiscal quarter, ended April 30, was up 25 per cent at \$723m, or \$1.37 a share, financial analysts were not impressed. They had been projecting earnings of around \$1.45 a share. in the same

period last year HP reported net

HP's share price dropped 9 per cent to a low of \$103, down \$10% from Wednesday's close of \$113%, before picking up to trade at \$106¼ in mid session.

"Our results were excellent in many respects this quarter," said Mr Lew Platt, HP chairman and chief executive, "but we didn't quite match last quarter's high level of profitability."

Net revenue for the quarter grew 33 per cent to \$9.9bn, from \$7.4bn to the same period last year. US revenues jumped 39 per cent to \$4.4bn, while revenues

income of \$577m or \$1.10 a share. from outside the US increased 29 per cent to \$5.5bn. Demand was very strong for

most of HP's computer products, Mr Platt said, with orders up 29 per cent over the year ago period, at \$8.4bn. However, weakness in the company's disk drive business and o decline in demand for computer workstations had a negative impoct on earnings growth. HP is scheduled to launch a range of workstations next month and demand for current products has dropped in anticipation of the new models. Orders for components also

declined as customers moved to reduce stocks, HP said. In all other computer product segments, including personal com-puters, printers and servers, HP reported vigorous growth and gains in market share. in the electronic instruments

sector orders were up 10 per ceut at \$939m, while medical products orders grew 6 per cent to \$347m. "We believe our growth rates in many parts of the company are outpacing overall market

Up, up and away

been," he acknowledged. HP would focus on improving the performance of parts of its business that have been sluggish and continue to look for ways to contain operating expense growth in segments of the business where gross margins were

across the company as it has

under pressure, he said.

For the fiscal year to date, HP reported net earnings of \$1.5bn, up 25 per cent from \$1.2bn in the first half of 1995. Net earnings growth, despite intense competi-tion," said Mr Platt. But order per share rose 28 per cent to \$2.87. Net revenue for the half growth was "not as well-balanced year was \$19.2bn, up 30 per cent.

force of Star Wars PensiCo, the US food and drinks group, has acquired exclusive promotional rights to the Star

Wars film series in a worldwide deal which could be worth up to \$2bn in terms of advertising investment and merchandise The agreement, clinched with Lucasfilm, the Californian enterby Mr George Lucas, director of the Star Wors movies, forms part of a trend for film makers to offset escalating marketing bndgets by joining forces with pro-

motional partners from other

industries. Walt Disney is reportedly in talks with McDonald's, the fast food chain, over a similar \$2bn 10-year agreement. Until recently, entertainment groups negotiated such deals on an ad boc basis, as MGM/UA did for Golden Eye, the latest James Bond movie, which received \$50m of promotional backing from other companies, including \$15m from BMW cars.

The Star Wars deal is the most valuable promotional agreement in the entertainment industry to date. It also marks the first time that all PepsiCo's international interests – which include Peosi-Cola drinks and Frito-Lay snacks together with the Pizza Hut and Taco Bell fast food chains - have participated in the same marketing initiative. The agreement will come into

force next February when the three existing Star Wars films -Star Wars, The Empire Strikes Back and Return of the Jedi - are re-released in a Star Wars Trilogy Special Edition with addi-tional footage, enhanced special effects and digitally remastered soundtracks. PepsiCo will then introduce

products and promotions using the Star Wars characters for all its brands and restaurants, staging advertising campaigns to publicise the films and its own related activities.

The promotions will continue with the release of Star Wars films based on earlier books in the Star Wars series, Lucasfilm is in pre-production of the first of these and expects to start principal photography next year. Star Wars is by far the most successful film series ever. All three films are among the 10 highest earners at the US box office, and have made substantial additional revenues from video cassettes, toys and video

Lucas heads | BA faces turbulence in aviation market, writes Michael Skapinker fly to US for talks on Varity

By Tim Burt in London

merger

Lncas Industries, the UK antomotive components group, yesterday dispatched its chair-man and chief executive to New York to clarify the terms of a proposed £3bn (\$4.6bn) merger with Varity Corporation of the

Sir Brian Pearse and Mr George Simpson, chairman and chief executive, are expected to meet their Varity counterparts today in an attempt to thrasb out the share split and detailed valuations of the two businesses. Executives from both companies have reached tentative agreement on combining Lucas's brakes business with Kelsey-

tied the ownership structure of the enlarged group.

The Lucas team was yesterday said to favour a share split giving its sbareholders slightly more than 60 per cent of the

Hayes, Varity's braking subsid-

iary. But they have not yet set-

enlarged company.

Mr Victor Rice, the Britishtive of Varity, has not yet responded to the informal proposal despite several meetings with Lucas in London this week. Differences have been resolved on how to integrate some mann-

facturing operations - wblch would make the group one of the world's largest brakes suppliers. Although advisers on both sides have warned that it could be aeveral weeks before an agreement is reached - if at all an outline deal could be pres-ented to a Lucas board meeting

scheduled for next Friday. "The talks are going reason-ably well and the due diligence bas not uncovered any prob-lems," said one adviser. "Both sides remain optimistic and we have accelerated the pace of dis-

The two sides have agreed prospective board positions. Mr Rice has been pencilled in as chief executive following Mr Simp-son's departure later this year for GEC of the UK, where he is to succeed Lord Weinstock. Sir Brian Pearse would chair the enlarged company.

Negotiators bave also ruled out the disposal of Lucas's aero-apace arm in the event of a merger, Lucas had been widely expected to sell the business to help fund expansion in the auto-motive industry. Goldman Sacbs is advising

Lucas, wblle Varity bas bired

Airline charts new approach to stay on course says that European air fares in the first quarter of this year were

year ago, British Airways congratulated its various A congratulated his various departments for cutting costs by £160m (\$242m]. This month, Mr John Patterson, BA's strategy director, told them they had to cut far more.

Over the past five years, be told BA News, the in-bouse newspaper, the airline had been successful in cutting costs during a period which included the Gulf war and a severe industry reces-

"We now have to adopt a different approach," he said. "This time the size of the problem is greater and we will have to look at step changes which will provide the action plan to address the profitability challenge."

To many staff, this must have seemed an over-reaction. BA's aircraft have never been as full. In the six months to September last year, BA's passenger load factor, or aircraft occupancy, was a record 76.9 per cent. The number of high-paying passengers in first and business class and on Concorde - rose 10 per cent.

performed the FT-100 index throughout 1995. They began 1996 at 466p and closed yesterday at 539p. Next Monday the airline is

expected to announce full year profits of £570m for the year to March 31, an increase of 74 per cent on 1994-95.

The reality, bowever, is that Mr Robert Ayling, BA's new chief executive, has to deal with an aviation market that is more competitive than it has ever

Liberalisation in Europe and on the North Atlantic rontes is increasing price competition. A powerful alliance between United Airlines of the US and Lufthansa of Germany is challenging BA's dominance in Europe.

Monday's figures - while confirming BA's status as one of the world's most consistently profitable airlines - will not be quite as impressive as they seem. Pre-tax profits of £327m in 1994-95 were depressed by a £125m write-down of BA's investment in USAir, in which it has a 24.6 per cent stake.

Measured against profit before provisions, this year's expected results will represent an increase of 26 per cent over 1994-95. This compares with a rise of 61 per cent in last year's profits, before the provision, over 1993-94. And while aircraft are full,

fares are unlikely to rise in the long term. American Express

up 5 per cent over the same period in 1995. This is likely to provide BA with no more than a emporary respite. The long-term trend shows that air fares have fallen for decades

and are likely to continue to do so. Boeing of the US, the world'a biggest aircraft maker, says that passenger yields - the revenue an airline receives for each mile it carries a customer - have fallen throughout the jet age. They fell by 3 per cent a year throughout the 1960s. In recent years, the fall has been less steep, at a little over 1 per cent, but Boeing expects this rate of decline to continue over the next

15 years. Yields are falling because longhaul travel, for which passengers pay less per mile, is growing fas-ter than short-haul. Business travel is also growing less slowly than leisure travel, for which fares are lower. BA cites other factors which

will make life harder. The first is will give passengers greater freedom to shop around for cheaper fares. A second factor is the impact of liberalisation and the growth of airline alliances.

The European Union avia-tion market becomes fully liberalised from April next year, when airlines from one member state will be able to operate domestic aervices in other EU countries. BA has been ahead of its competitors in taking dvantage of this liberalisation, taking stakes of just under 50 per cent in Deutsche BA and TAT

European Airlines of France. These operations have yet to show a profit. While they have made some inroads into domestic markets, they face fierce competition from national carriers and, increasingly, from low-cost start-up airlines.

The alliance between Lufthansa and United will take another step forward next week when the two carriers are expec ted to receive antitrust immunity from the US government. This means they will be able to coordinate their schedules, sales and marketing more closely, giving their customers access to the US domestic market and Lufthansa'a international network.

While BA says it has benefited from its link with USAir, the US carrier is still struggling to bring its costs down. Analysts have speculated on two more attrac-

Hanson to divide £3.6bn debt between demerged companies

By Tim Burt in London

Hanson, the industrial conglomerate, yesterday unveiled plans to divide up to £3.6bn (\$5.5bn) of debt between the four new companies proposed under its forthcoming demerger.

The company said most of the debt would be allocated to its

chemical division - to be renamed Millennium Chemicals - which will begin trading as independent company in the US

this autumn. Millennium is likely to assume up to £1.4bn of debt; while Imperial Tobacco and the energy business, including the Eastern regional electricity company, have been allocated £1bn-£1.2bn of borrowings.

The remaining building products and equipment division, retaining the Hanson name, will be left with only £100m-£200m of The demerger is expected to be

with Millennium and Imperial

Tobacco demerging on October 1, and the energy business floating off by February next year. Mr Derek Bonham, chief executive, said the debt allocation would not hamper plans by any of the new companies to return

to the acquisition trail or invest in new facilities.
Although last year's £2.5hn acquisition of Eastern had pushed net dehts up to \$4.97bn. Mr Bonham predicted that figure would fall sharply following the

completion of Hanson's recent £2bn disposal programme.
"All four the new groups are faced with a wide range of investment opportunities. We bave arranged £4.5bn of new bank facilities to belp that process." Of the five-year syndicated

bank fecilities, Millennium is to receive £1.5bn; Imperial Tobacco £1.25bn; Energy £1bn; and Hanson £750m. The new chief executives of completed within nine months,

international expansion drive. Mr Landuyt said: "We are going to be very aggressive on the acquisition front, especially in speciality chemicals."
He was speaking

as the group reported pre-tax profits of £794m from £623m on sales of £6.19bn, compared with £5.87bn, in the six months to

Although profits rose only modestly at Imperial Tobacco and fell slightly in the building materials division, Mr Bonham said all four businesses "had excellent prospects for growing profits and long term cash flow". He also told shareholders that Hanson expected the dividend distribution in each company to be tax free to investors in Britain and the US.

Following yesterday's first-half figures, it promised a quarterly dividend of 3p a share. Earnings Millennium and Imperial per share rose from 9p to 10.3p.

Tobacco - Mr Bill Landuyt and Lex, Page 20; Fulfilled by East-Mr Gareth Davis respectively - ern promise, Page 28



tive partners for BA: KLM of the Netherlands and American Air-

Mr Christopher Tarry, aviation analyet at Kleinwort Benson, says any link between BA and KLM will probably have to wait until the Dutch airline bas resolved its problems with Northwest Airlines, the US carrier. KLM and Northwest were once seen as the most successful transatlantic partnership but are now embroiled in a legal dispute. American, which does not have a European partner, has been linked to BA in industry gossip for years. Concluding an agreement would face several problems, bowever. The US govern-ment is likely to block any such deal until the UK agrees to renegotiate the aviation agreement

between the two countries, which

limits US carriers' access to Lon-

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Clampdown on contraband helps lift Tabacalera

A clampdown on cigarettesmuggling into Spain helped the state-controlled Tabacalera group to achieve a 30 per cent growth in consolidated pre-tax profits in the first quarter, to Pta5.43bn (\$43.4m).

At parent-company level. Tabacalera, which is 52 per cent state-owned and a candidate for further privatisation under Spain's new centre-right government, posted a 27 per cant increase to Pta4.39bn, based on a 17 per cent rise in net sales to Pta145.46bn.

Mr Calixto Rios, finance director, said it appeared the fight against contraband had finally brought results. This largely involves US brands such as Marlboro and Winston, sold on the black market more cheaply than the Spanishmade, tax-paid versions of the same brands.

Tabacalera saw its sales of top-of-the-range blond cigarettes jump by more than 41 per cent in the first quarter compared with the same period last year. This led to an overall 14 per cent growth in the volume of cigarette sales and improvement in the sales mix. with a shift towards higherprice hrands with larger profit margins. Sales of cheaper dark-tobacco cigarettes, in con-

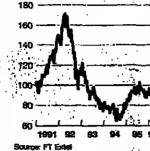
trast, fell 2 per cent. Mr Rios said the sales increase between the two first quarters also reflected a depressed volume early last year - the result of high stocks which were built up at the end of 1994 ahead of a tax increase. He warned the growth rate was

remainder of the year. At group level, the turnover figures showed a more moder-ats increase of just under 12 per cent, to Pta150.27bn.

Mr Rios said a cost-reduction plan launched two years ago was bearing fruit. The workforce, currently around 6,700, had been cut by 1,350 over the period. At the same time the company had raised its spending on promoting new prod-

of the strongest performers on the Madrid stock market this year and is proposing a supple mentary gross dividend of Ptago a share, bringing the total for 1995 to Pta160, an increase of 10.3 per cent.

The new government is expected to appoint a new chairman to replace Mr Pedro Pérez, a Socialist appointee and former state secretary. The company has an effectiva



rate Germany are as compli-Alcoa to take over venture

isation agency, said yesterday it had approved the sale of the state's remaining 49.9 per cent staka in a local aluminium joint venture to Aluminum Company of America (Alcoa), its majority owner.

Alcoa, the world's largest aluminium company, is to play Hungalu, the former state aluminium monopoly, \$25m for its minority stake in Alcoa-Kofem, a joint venture the two companies formed three and a-

The company produces flat-rolled aluminum products and extrusions at a plant in Szekesfehergar, south-west of Budanest, which has attracted several offier multinational companies and is one of Hungary's fastest-growing indus-

European markets, reported a 1995 pre-tax profit of Ft1.83bu Ft764m in 1994.

in western Hungary.

Dasa's aerospace angst

Dornier falls victim to a clash of relationships

The German aircraft maker's founding family has fallen out with Dasa, writes Michael Lindemann

The management Daimler-Benz Aers better known, must have been praying that it would not come to this. Their best efforts have

been left unrewarded, however Selling Dornier, the regional turhoprop aircraft manufac-turer which belongs to Dasa, is difficult enough given that the worldwide market for such aircraft is, as one London-based aerospace analyst put it, "grotesquely oversupplied". But the Dasa managemen

had at least been hoping that the sale of Dornier, which is at present being negotiated with Fairchild Aircraft, the US maker of turboprops, would hava gone ahead as quietly as possible. Tha group certainly hoped the disposal would not be turned into a public mudslinging match between Dasa and the Dornier family, which retains a stake in the company.

That is precisely what has happened, however. In an outburst carefully planned to ensure maximum damage to Dasa and cast uncertainty over talks about a Dornier sale, Mrs Martine Dornier-Tiefenthaler, who represents part of the fam-ily, turned on the Dasa mangement at the Berlin air show this week. She told them, in no uncertain terms, that they could not sell Dornier without

the family's consent. Few relationships in corpo-

+200 (1) From 1995 arreards only MITU Munchen (2) Mainly :

cated as that between Dasa and the Dornier family. Mrs Dornier-Tiefenthaler earned herself a formidable reputation when Daimler-Benz decided it wanted to buy Dornier in the late 1980s. In marathon negotiations, she forced Mr Edzard Rentar, then Daimler-Benz chief, to make concessions which, in the words of one German observer,

"a normal manager would not

Those concessions include a 15 per cent return on equity for the Dornier family, regardless of how the company fares. Given that Dornier's aircraftmaking operations lost DM499m (\$325.27m) last year on sales of DM990m, Dasa must be hurting more than Mr Reuter could ever have imagined. Just how soon Dornier would

have permitted in his worst

be sold was decided last month when a big US order for turboprops went not to the Dornier 328 but to the Saab 340 made by the Swedish group.

Even so, the order would not necessarily have been all good news, according to German aerospace executives. Had the US deal gone

through, the management board of Daimler-Benz would have had to commit itself to

investing in a bigger, 50 seater version of the Do 328. Given that Dasa lost DM4.18bn last year and had already with drawn from bidding for Fokker; the Dutch aircraft maker, that was not an option, executives said.

Two questions must now to be answered. Will a potential buyer, Fairchild or otherwise, agree to this "crazy" contract with the Dornier family, as one aarospace executive described it and can the family veto a

Following her outburst this week, Mrs Dormer-Tiefenthaler said the family shareholders would meet later this month. Until then, she said, the subject should not be discussed in

There is a good deal of confusion as a result. Dasa says the Dornier heirs own a 47 per cent stake in Dornier, but have only 20 per cent of the voting shares. Since completing the Dornier purchase in 1988, Dasa has always been able to force through its decisions even if they have involved expensive litigation between tha company and the family, Dasa

Much, however, centres on the will of Clandius Dormer, the man who founded the company in 1914 and died in 1969. The will obliges the family to ensure that Dornier continues making aircraft under the famSince Dasa took over the company in 1988, neither of these elements of the will have been altered. Now that tha company is set to pass into different hands, the showdown between Dasa and the Dornier family is likely to become much more vicious

Dasa, meanwhile, admits that it is doing everything to make a Dornier deal "as attrac-tive as possible" for any poten-tial buyer - but that may only be half the tale. German newspapers have reported that Dasa would be ready to give Fair-child DM500m if the Texashased company took Dornier

ccording to some esti-mates Dornier needs to sell the Do 328 for about DM20m to make any profits. However, the aircraft has a list price of DM9m and is being sold at DM7.5m, given tha atrong intarnational competition.

On top of the Dasa sweet ener, the Bonn government is likely to waive a DM200m loan given to Dornier to develop the Do 328, a 33-seater which complements the older Do 228 19-seater, officials say.

In return, a potential buyer Fairchild or otherwise, would have to guarantee to maintain Dornier's operations and about 2,500 jobs at Oberpfaffenhofen outside Munich.

in Hungary monopoly on distribution of By Virginia Marsh tobacco products in Spain and a dominant position in manuunlikely to be reflected in the facturing. **Deutsche Telekom**

Kynge in Kuala Lumpur

in Malaysia talks

Resources Technology Industries, operator of Malay-sia's leading mobile telephone service, said yesterday it was in negotiations to sell a minority stake to Deutsche Telekom.

Such a deal could allow the state-owned German company, which is scheduled to be privatised later this year, an involvement in developing tha Malaysian market for basic telephony. TRI has been granted licences for fixed line services as part of deregulation of the industry.

A TRI official, however, said that no accord had yet been reached. He declined to confirm a report that the company was proposing to issue new shares to Deutsche Telekom representing 10 per cent of its existing capital, while a similar holding would be sold to the German group in a private placement by Mr Tajudin Ramli, TRI chairman.

A deal of that nature could value the investment in TRI at more than M\$1bn (US\$401m). Mr Tajudin, who is also chairman of the privatised Malaysian Airlines, said yesterday ha hoped to develop his

interests both in transport and telecommunications, noting that the expansion of the services sector was emphasised in Malaysia's five-year plan unveiled this month. Mr Tajudin currently holds stakes of around 32 per cent in Malaysian Airlines and 38 per cent in TRI, which runs the Celcom

mobile network. The main sticking point in the negotiations with Deutsche Telekom was a demand by the German company that TRI insert an "exclusivity" clause which would preclude the Malaysian company from establishing partnerships with other foreign companies, sources close to the negotia-

tions said. Analysts expect TRI to emerge among the strongest of the private sector companies vying to take basic voice business from Telekom Malaysia, the former monopoly provider. In 1994 the government

granted up to six licences to operate full phone services, but this year called for rationalisation of the sector, saying a maximum of three operators should emerge by 1999, when equal access to Telekom Malaysia'a infrastructure will be granted.

APV, Hungary's state privat-

trial centres. Alcoa-Kofem, which sells its

APV also announced it

CME set to launch TV service in Slovakia By Kevin Done, East Europe Correspondent

products locally and on other (\$12m), after making a loss of

would hold a closed tender for a 72 per cent stake in Bakonyi Bauxitbanya, Hungain's bauxite mining unit. It intends to invite four local aluminium producers to take a stake. To avoid creating a monopoly, each will be limited to an 18 per cent stake in the company, which operates several mines

interests, and will launch Central Enropean Media the station nationwide as Markiza TV.

Enterprises, the US pioneer of private commercial television in central and east Europe, is to start broadcasting in Slovakia at the and of August. Tha group was also confident of winning new licences in Poland and Hungary later this year, said Mr Leonard Fertig, CME chief executive.

in Ukraine, it had recently been awarded TV broadcasting licences covering the 16 largest cities in the country, he said. In Slovakia, CME has formed

Slovenska Televizna Spolocnost (STS) along with local

It is providing all of the finance for the Slovak operation, but will hold a 49 per cent equity stake and an 80 per cent economic interest in STS, in which it had invested \$3.7m by the end of 1995. Mr Fertig said that in Hun-

gary the group was acquiring the state-owned Videovox, the largest dubbing company in the country, which it planned to develop as the site for its Hungarian TV operations.

CME's Hungarian joint venture was awarded a licence last year to broadcast within metropolitan Budapest, but it is delaying the start-up of this operation until the first half of next year, as it awaits the result of the current competition for national licences.

CME is one of the leading competitors in a tender for two national TV frequencies in Hungary, which are expected to be awarded later this year. its main rivals include CLT of Luxembourg and Scandinavian Broadcasting System.

'In Poland, CME is competing for licences in both the central and northern regions of the country and is aiming to estab-lish a national network distribution company to supply all stations. A decision on the Polish licences is expected shortly.

The US group, which is quoted on Nasdaq, is con-trolled by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune and CME's majority shareholder. The group already operates

the leading national TV station the Czech Republic, Nova TV. In Germany, it has interests in existing regional stations in Berlin and Nuremburg and stations under developIt launched national broadcast ing operations in Romania and Slovenia in December last In the first quarter of this

year, the group increased turnover by 24.4 per cent from \$18.69m in the same period last year to \$23.26m, while net losses more than coubled from \$3.39m to \$7.75m. Losses rose under the burden

the start-up costs in Romania and Slovenia increasad davelopment expenses and higher operating expenses at Nova TV, Mr Fer-

balf years ago. In January 1993 Alcos paid about \$50m Fund set up for central Europe for a controlling interest in Kofem and embarked on a five-year \$165m investment by Vincent Boland in Prague and restructuring plan. The common produces flat. The common produces flat.

DBG Eastern Europe, an affiliate of Deutsche Bank, yesterday launched a regional private equity fund to exploit post-privatisation opportunities by offering development capital to companies in central Europe's emerging markets.

The DBG Development Capital Eastern Europe Fund is to provide Kč900m (\$32.7m) in development capital for investment in the region, and is in talks with institutional investors whose participation is likely to bring the amount available for investment to Kč1.8bn.

The aim is to offer "laterstage investments" by financing management buy-outs and buy-ins, acquisitions and joint ventures and helping companies to improve the quality of earnings and management. The fund expects to invest a minimum of Kč50m in compathe limitations of today's pub-lic markets," where lack of hquidity and access to capital hamper their development.

Mr James O'Neill, the fund's

chief executive and managing director, said there was "a lot of consolidation and a lot of dynamics at work" in the region's emerging markets but that many companies were "trapped in a cycle of illiquidity". This had prevented companies from raising capital to expand or consolidate their

Mr O'Neill said the fund will be looking to identify particular industries that have local expertise in manufacturing and export potential" and where there are opportunities to grow through acquisitions. The main targets will be

companies outside the top

industrial sectors that have not

nies and will seek to delist attracted significant investor them from the region's stock interest to date. Once the fund markets? removing them from has acquired a stake it will seek board representation and will be "a snpportive and active shareholder"

The Czech Republic in par-ticular is in a turbulent postprivatisation phase. A battle for control of the leading industrial companies is under way between banks, investment funds and acquisitive conglomerates, but there is little new capital coming in to the market. One of the obstacles to the

smooth development of this process is the dispersal of ownership resulting from mass coupon privatisation, with many companies having thousands of individual shareholders. Mr O'Neill said removing this hurdle through taking companies private would allow management to concentrate on developing a clear strategic

Argentaria ready to elect state nominee chairman

By Tom Burns in Madrid

The board of Argentaria, the partially-privatised Spanish banking group, will today elect atockbroker Mr Francisco González its new chairman at the request of the economy ministry. His appointment is the first by the new centreright government to a leading state-controlled business.

Mr González, 51, sold his brokerage business, FG, to US investment bank Merrill Lynch for nearly \$30m in February. He replaces Mr Francisco Luzón, 48, a professional banker appointed by the previous Socialist government. In 1993, Mr Luzón offered 50

per cent of the group's equity on international and domestic markets, and in March he disposed of a further 25 per cent of Argentaria stock, raising \$1.1bn. Mr González is expected to complete the privatisation.

The decision to replace Mr Luzon indicates that the ruling Popular party may replace all the chief executives of large government-controlled

These include Repsol, the energy group; Telefónica, the telecoms operator; and Endesa,

the electricity generator.

Fomento de Construcciones Contratos, the Spanish construction group, yesterday posted first-quarter net profits down 5 per cent from Pta3.17bn to Pta3.02bn (\$23m), on turnover down 3.5 per cent from Pta99.59hn to Pta96.09hn. AFX News reports from Madrid. FCC said sales suffered from the heavy rainfall in both Spain and northern Morocco. Pre-tax profits fell 5 per cent from Pta6.58bn to Pta6.25bn. The company said its order book was worth Pta329.5bn at end-March, up 4.8 per cept from a year earlier.

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By: The Chase Manhatten Bank, N.A. London, Agent Bank

May 17, 1996

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Approval, if need be, of the decision to suppress the preferential subscription right arising from the undertaking by ALCATEL ALSTHOM COMPAGNIE OBNERALE O'ELECTRICITE of two convertible locus contracted by ALCATEL CABLE, as the scope of the marger between the two Decision on the method of recording the documents of the General Mea Desirion on the method of recovering the discussions to the vertices response. In this local is to permate the homelinders to estend, or to be represented as this meeting, the Bonds or their disposal receipts must be deposated as lease five days before the date fixed for the meeting, with rate of the banks having perturbance in the placement of these Bonds and from whom provides or admission cards can be requested. This meeting about the validity bed if the holders of at least beauty five per come of the constraining bonds emitted to vote are present or represented.

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Agent: Morgan Guaranty Trust Company **JPMorgan**

GENERALE

Société Générale de Belgique Rue Royale 30 - B-1000 Brussels - Belgium

1995 dividenda

The Annual General Meeting held on 15 May 1996 decided to pay out, with effect from 23 May 1996, a dividend of BEF 87 net, i.e. after deducting withholding tax. The dividend will be increased to BEF 98.60 if the corresponding VVPR strip coupon is presented together with the share coupon.

According to the opinion given by the Belgian Finance Ministry, as published in the Belgian Official Gazette dated 27 April 1996, pages 10371 and 10372, the share coupon and VVPR strip coupon must be presented by 30 November 1996 at the latest for shareholders to qualify for the reduced rate of withholding tax. Holders of bearer shares may present coupon No. 39 and the corresponding VVPR strip coupon for payment at the following banks: 8elgiun_:

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Montagne du l'arc 3 - 1000 Brussels

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Christophstrasse 33-37 D 5000 Calogne 1 Deutsche Bank Tennusanlage 12 D 6000 Frankfurt am Main 1

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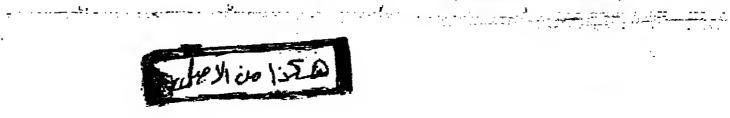
with an interest amount of £162.89 per £10,000 principal and £1,628.85 per £100,000 principal, payable on £5th August, 1996.



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COMPANIES AND FINANCE: THE AMERICAS

Edper issue aims at boosting confidence

Edper Group, the main holding company of the resources and financial services conglomerate formerly controlled by Toronto's Bronfman family, has taken another step towards rebuild-ing investor confidence with its first foray into equity markets in several

The group is emerging from a series of upheavals, including the disposal of some of its biggest assets, strained relations with the financial community and a simplification of its complex, interlocking structure. Among the effects of the shake-up has been a transfer in

control from the Bronfman family to a group of managers led by Mr Jack Cockwell.

Edper said yesterday that it raised C\$170m (US\$124m) from an issue of 7 per cent, 10-year subordinate convertible debentures. The debentures, payable in two instalments, are convertible into Edper non-voting shares at C\$5.50

The issue was seen in the investment community mainly as a flag-waving exercise. Midland Walwyn, the lead underwriter, said demand from institutional and retail investors was "extremely good", but that the deal was not aggressively priced. The size of the deal was raised from an initial C\$125m. Edper described the issue as "an important step forward". The proceeds will be used to reduce debt and bolster

Edper's remaining interests include control of Noranda, the metals and industrial group; London Life Insur-ance, one of Canada's biggest life insurers; Royal LePage, a property brokerage; and a number of businesses in Brazil.

Over the past few years, Edper and its associated companies have disposed of sizeable stakes in MacMillan Bloedel, the west coast paper producer; John

group; and Trizec, one of North America's biggest property developers. Royal Trust, a troubled financial institution, was rescued by Royal Bank of Canada. As a result of the restructuring, Edper, formerly known as Pagurian Corp, is now 66 per cent-owned by Partners, e private company controlled by

Mr Cockwell and his fellow-managers. Mr Peter Bronfman has a 15 per cent stake in Partners and a minority holding of non-voting Edper shares. The Toronto Bronimans are cousins of the family that controls Seagram, the drinks and entertainment group.

Edper's first-quarter earnings rose 19 per cent to C\$16.2m, or 17 cents e share.

Payout rise and stock **Chrysler**

Shares in Chrysler, the US car manufacturer, jumped yesterday after the announ e two-for-one common stock split and a 10 cents e share increase in the company's presplit common stock dividend, Renter reports from Towson, Maryland.

The group's shares rose 1% to 66% in early trading. Since October 1998, Chrysler has raised its dividend six times, representing e 360 per cent increase. The company said its dividend yield would be 4.3 per cent, the highest among Detroit's Big Three car

manufacturers.
Chrysler said the split would be made in the form of e 100 per cent stock dividend for ebareholders of record as of

June 15. The dividend increase takes Chrysler's quarterly common stock dividend to 70 cents a share from 60 cents, on a pre-split basis.

It marks the third year in e row that Chrysler has raised its dividend at its annual shareholders' meeting.

The actions today by the Chrysler board reflect our continuing exceptional eales and earnings performance. strong confidence in our future prospects and e stock price near record levels," Mr Robert Eaton, Chrysler chairman, said.

"We are dedicated to increasing shareholder value. end our actions today demonstrete thet commitment."

Chrysler said it had completed balf of its announced \$2bn buy-back programme for 1996. The company is also committed to an additional

\$1 bn share repurchase programme for 1997 as part of its five-year peace accord with Mr Kirk Kerkorian, the billionaire shareholder. The company also said its

board had declared a dividend of \$1.15625 per depositary share, which represents one-tenth of a share of the company's series A convertible preferred stock. The dividend is payable on

July 15. as is the quarterly

NEWS DIGEST Molson sells more of Diversey unit

Molson, the Canadian brewing group, has sold another part of Diversey, its international special chemicals business, as it restructures to rebuild profitability. Most of Diversey was sold earlier this year to Unilever for C\$780m (US\$570m), and Diversey's Water Technologies unit has now been sold to Nalco Chemical of the US for C\$112m cash. The unit operates in the UK, Canada, the US and Italy, and had sales last year of

Other Diversey units, including e metals finishing business and a laundry and institutional chemicals unit, remain to be sold. Molson hopes to raise a total of C\$1.1bn from the

Molson, one of Canade'e oldest companies, is working hard to turn around its declining domestic market share and expand exports to the US and elsewhere. Mr Marshall Cohen, Molson's chief executive, is stepping down this year and Molson has moved the head of its US brewing unit to head the Moison Breweries subsidiary, jointly owned with Foster's of Australia and Miller of the US.

Robert Gibbens, Montree Robert Gibbens, Montreal

Quaker quits frozen food sector

Quaker Oats, the US soft drinks and foods group, has quit the frozen food business after finding a buyer for its Aunt Jemima frozen breakfast products and Celeste frozen pizza lines, which have annual sales of about \$175m. They have been bought by Van de Kamp'e, a small US frozen foods business sold by the UK's Grand Metropolitan to e group of investors last year. Terms were not disclosed.

Quaker Oats put the frozen food businesses on sale in March, saying they were not core. The company's Aunt Jemima pancake mix, syrup and corn products businesses were excluded from the auction. Richard Tomkins, New York

Takeover targets offered insurance

US companies are being offered the chance to buy insurance against hostile takeovers. The product, launched by Aon, the insurance broker, is believed to be the first sold in the US. Underwritten at Lloyd's of London, the product will reimburse insured corporations for costs associated with the successful defence of a hostile takeover ettempt. About 100 UK companies are understood to have similar insurance. The product was developed by Aon and TOI Corporate Services. part of Swire Fraser, the Lloyd's of London broking and

Raiph Atkins, Insurance Correspondent

Hambrecht & Quist 'plans IPO'

San Francisco-based Hambrecht & Quist, which has taken public such fast growing technology companies as Netscape Communications, is preparing an initial public offering of its own shares, the New York Times reported. Such an offering would probably involve the sale of between 15 and 20 per cent of Hambrecht's equity, and the sale of those shares was likely to raise as much as \$80m, analysts were reported as saying. This assumed a current market value for Hambrecht of between \$400m and \$500m, said the newspaper.

AP-DJ, New York

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Carrefour boosts Brazil network

Carrefour Supermarche's Brazilian affiliate is set to invest \$300m in 1996 to expand its network in the south and begin activities in the north-east region. Under the plan, the French supermarket chain will open six additional stores this year, Reuter, São Paulo bringing its Brazil total to 41.

Financial blocks dog Cemex empire-building

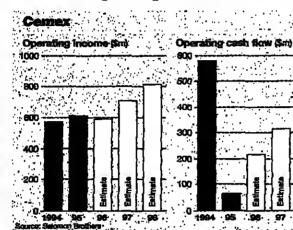
The multinational is aiming to spread risk through acquisitions, says Daniel Dombey

emex, the Mexican cement group, moved from fourth to thirdlargest cement manufacturer in the world when it recently earmarked \$600m for a 60 per cent etake in the Colombian group Cementos Diamante and on e proposed acquisition of another Colombian company. But, says Mr Gustavo Cabal lero, Cemex's chief financial officer, "what marks us out from other cement companies is that we are an emerging country multinational".

The logic behind the company's policy is simple: coming from an emerging economy, Cemex can claim to understand developing markets. Central America and the Caribbean account for 59 per cent of sales, with only 41 per cent coming from Spain and the US.

The company stands to benefit from the construction boom expected in emerging countries. But while these markets as a whole grow at impressive rates, individual countries are likely to be volatile - as the Mexican devaluation and the compre'e subsequent economic slump shows.

Hence the desire to spread profits: the company expanded its presence in Mexico between the mid-1970s and the early 1990s, but then widened its interests in 1992 and 1994 with acquisitions that made it the largest cement company in Spain and Venezuela respectively. Last December, it bought a controlling stake in a Dominican company, consoli-dating its position as a leading



company in Central America and the Caribbean

Only 40 per cent of Cemex's sales come from Mexico. As a result, 1995 revenues, after a year of economic crisis, stood et \$2.6bn, 22 per cent up on the same period a year before, However, expansion has not

always been easy. Last December, its \$108m bid for Cementos Paz del Río, a medium-sized Colombian producer, was dis-qualified by the country's securities regulatory agency, and control went to Colombia's largest cement company, Grupo Argos. Cemex alleges the process was not fully fair.

The company originally wanted to bring together Cementos Paz del Rio and Cementos Samper, also Colombian, in which Cemex plans to take a 51 per cent stake. However, the acquisition of Diamante and Samper is likely

Why

now?

Guernsey

to serve its purposes better, since Diamante, Colombia's second-largest cement company, is bigger and more efficient than Paz del Río.

"Cementos Paz del Río would just have been a foothold in the market," says Mr Cabal-lero. "It's a good thing we didn't get it in the end. After the affair, these other companies decided that they had to get global or get out."

he problems eurround-

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ing the Cementos Paz del Río bid illustrate how difficult acquisitions can be, A further constraint is financing. Cemex's debt covenants put a 55 per cent limit on the proportion of total debt to

total capitalisation. Mr Caballero argues that the current level of 49.9 per cent poses little risk even in the event of a peso devaluation,

your assets.

trust services.

Zurich:

Guernsey:

because half of the company's assets are denominated in nonpeso currencies. However, the covenants do mean the company has to look for ever more ingenious financing for new acquistions, To buy the two Colombian

Worldwide comparisons (Sin):

Comento finir

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companies, Cemex made a private placement of \$200m of shares, marked up a long-term deferred payment of \$140m from the sellers of the Colomhian companies (essentially taking out IOUs), and plans to use \$120m of its own cash. Another \$140m in debt will

be taken out by Cementos Dia-mante, which will then purchase Cementos Samper. The two companies have only \$8m more debt than their total cash available of \$69m, and as Colombia's sovereign debt has investment grade ratings, Dia-mante will be able to borrow at lower spreads than in Mexico. Though some of the funds for the purchase are from cash flow, Mr Caballero maintains that funds will not be diverted from important capital expenditure, arguing that the company was not planning significant new investment in Spain. Venezuela or Mexico, where it has overcapacity,

"At the end of the day, these acquisitions have increased total capital," says Mr Roberto Carrillo, Latin American cement strategist at ING-Barings in Mexico City.

Even so, Cemex has guaran-teed some of the debts its new subsidiaries have taken on, taken money out of its cash flow, and sold shares at below market rate. The company may have manoeuvred its way past some of the political limits to expansion, but it will have to show yet more financial inge-nuity if it is to keep growing.

N.V. Koninklijke Nederlandsche Petroleum Maatschappi (Royal Dutch Petroleum Company)

Established at The Hague, The Netherlands

Final dividend 1995

The General Meeting of Shareholders of Royal Dutch Petroleum Company held on 15th May, 1996, has decided to declars the finel dividend for 1895 at N.fl. 5.60 on each of the ordinary shares with e par value of N.fl. 5. The total dividend for 1995, including the interim dividend of N.fl. 3.90 already made payable in September 1995, will thus emount to N.fl. 9.50 per shere.

For holders of bearar certificates with coupons this final dividend will be payable against aumender of coupon No. 212 on or efter 28th May, 1996, at the offices of:

Barclays Bank PLC, Barclays Global Securities Services, 8 Angal Court, Throgmorton Street, London EC2R 7HT

on business days between the hours of 9.30 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of axchange current in London at 2 p.m. on 23rd May, 1996, in the case of coupons presented on or before that date, or on the day of presentation in the case of coupons presentation subsequently. Coupons must be accompanied by a presentation form, copies of which can be obtained from Barclays Bank PLC.

For holders of shares of which the dividend sheets are at the close of business on 21st May, 1996, in the custody of a Depositary admitted by the Centrum voor Fondsen-administratie 8.V., Amsterdam, this final dividend will be paid to such Depositary on 28th May, 1996, 5uch payment will be effected through Barclays Bank PLC, after receipt by them of a duly completed CF Dividend Claim Form.

Where under the double taxation agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a resident of the United Mendom as a configurable of the United Kingdom as a credit against the United Kingdom income tax payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 5 per cent instead of at the basic rate of 20 per cent represents a provisional ellowance of credit at the rate of 15 per cent.

Where appropriate, the usual affidavit cartifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax at the basic rate.

The Hague, 17th May, 1996 THE BOARD DF MANAGEMENT



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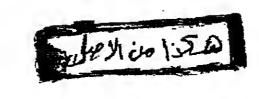
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To Holders of Bearer Securities Representing US\$40,000,000 10,25%. Class A Negotiable Osligations Due March 4, 1998.

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Capitalized forms used but not defined herein have the meanings assigned to them in the Fiscal Agency Agreement dated as of March 4, 1993 pursuant to which the above Securities have been issued.

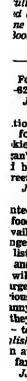
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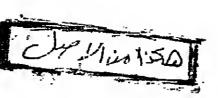
Ling 24,587 (the Ling), published in Argentina in the Official Gazette on November 22, 1985 (Lay de Abminatérial de las Titutes Values Phinados), makes it mendatory, as a metter of Agentine public policy, for any security issued by an Argentine private entity (Including the Bearer Securities issued pursuant to the convented to a non-endorsable, registered form. The Law also allows book-unity securities (but convented to an on-endorsable, registered form. The Law also allows book-unity securities (but the securities) in furtherance of the Law, the Federal Executive Power has laused Decree 25998 (the Decree), published in the Official Gazette, on Merch 20, 1996 (the Law and the Decree, the Regulations'). Under Addic 13 of the Decrees, dict securities that have been registered with and authorized by the Argentina Connicion Recional de Valores CONV) under his public offering regulations (such as the Securities) are deemed to be incompliance with the Regulational in and whom represented under pictorior partial or freely classing systems approved by the CNY which include the Caja of whates lessors (including the Bears Securities) be converted or actual part for partial or globel cartificates as alonsacid, ON OR REFORE MAY 22, 1996. Under the Regulations of the the test the securities of phase lessors final the processor. of private lessues (including the Bears: Securities) be converted or exchanged for non-endorseble, registered securities, or partial or global certificates as storesaid, OM OR BEFORE MAY 22, 1996. Under the Regulations, after the above deadline and entil such these as the exchange is effected, no rights can be sourcitied with respect to any bears sourcities (such as the Bears' Securities) including, without limitation, receiving interest or principal payments or effecting any transfer, pledge or other lien with respect thereto. In addition, upon the expiration of the May 22, 1996 deadline, severe adverse sconomic consequences will result from the violation of the Development. a Regulations.
Under Argentine law, therefore, as a matter of public policy, the Holders of the Bearer Securities be provented from executing any rights with respect to such Bearer Securities (including the right smartd that payment be made thereunder) until the exchange is effected in accomtance with the stations. The Bearer of Directors of Banco Francis, under Section 501 of the Fiscal Agency 30mont, has determined that in order to allow the exercise of their rights by the Holders of Bearer. ns and to avoid the material adverse consequencies resulting from non-compliance or ons, it is in the best interest of the Holders and Banco France's to provide for a pro-nge of the outstanding Bearry Sacreting to interest of the Practices to provide for a pro-Hegustons, it is in the best interest of the Holders and Barco Frances to provide for a procedure to exchange all the outsharding Bearer Securities for interests in a registered global certificate to be deposited and registered with the consmoordeposition for Euroclear and Cadel Bankor in nominee ON OR BEFORE MAY 22, 1985. Accordingly, Benco Francis tips, Fiscal Agent and the Transier Agent have agreed to arrange May 1987. Accordingly, Benco Francis tips, Fiscal Agent and the Transier Agent have agreed to arrange May 1987. Agent have agreed to arrange tips for the recessary amendments to such Agreement and its Terms and subscribe and deliver such other documentation as may be necessary or convention to effect the exchange. the following serience, on May 22, 1996 each Bearer Security which is alder in Eurociner or Cedel Bank will be converted into and each enced to Holders whose Securey security or decurates are not presently hext tribugh an account Fundate or Cedel Benk or held by the Caja should deliver such Bearer Security or Se operior with all unmatured Coupers apparationing thereth, to ext. in a recoveruf holder or to it mendately, in order to enable such account holder or the Caja to effect a constraint and or it such Bearer Security or Securities for an interest of an acqual apprepais principal array of such Bearer Security or Securities for an interest of an acqual apprepais principal array and account (Schott Cartificate to be held by and recisioned in the nature of the control of the cont ed Global Certificate to be held by and regi clear and Cedel Bank or its nominee.

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The Bank of New York

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COMPANIES AND FINANCE: ASIA

Stronger Japan markets lift brokers back to black

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Japan's rising stock market paid long-awaited dividends for the country's leading stock-brokers in the year to the end of March, helping them return to the black after the previous

year's losses. But with the outlook for the securities sector still far from certain, none of them expects a similarly strong improvement

Three of the Big Four bro-kers - Yamaichi, Daiwa and Nikko - said yesterday they had returned to profit at the recurring level (before extraor-dinary items and tax) in 1995-96. Nomura, the other leading broker, had already announced last month an iucrease in profits from last year, when it harely broke

The results were the best for the Big Four since the collapse of Japan's bubble economy began six years ago. Aggregate operating revenues at the four companies were up by more tban 35 per cent, as investor confidence began to flow back into the stock market.

An exceptionally strong bond market was another factor that helped their performance. The Japanese authorities cut interest rates sharply in the first half of the year in an effort to bolster the flagging economy. As a result, the yield on the 10-year benchmark government boud fell from 4.4 per cent in February to 2.8 per cent in September.

But a strengthening stock market in the last six months was the main factor behind the improvement. Average daily trading volume on the Tokyo Stock Exchange in the second balf of the year was 450m shares, up by more than onethird on a year earlier. Forelgners were particularly beavy buyers.

Stockbroking commission revenues increased by between 16 per cent at Daiwa and 22 per ceot at Nikko. Bond trading revenues were up by more than 20 per cent, with bond issuance also rising. Equity underwriting remained weak,

The big brokers are understandably still cautious

	Operating	Change on	Perundan	nonfite!	Mad	profits
:	Leveune	Acat (#)		1994-95		1994-95
Nomera	432.1	+29.0	97.5	6.8	23.1	20.0
Dawa	301.6	+45.1	62.6	-24.9	43.7	-31.6
Nick-	295.7	-47.5	65 O	-19.3	33.B	-22.7
Yenuich	224.2	-37 9	15.1	-50.5	15.8	-52.6
Second	-tier bro	kers	-			
Kokusai	89 0	+23.1	7.4	-10.6	4.6	-4.8
ncock M	80.6	+10.4	-3.5	-17.0	1.2	-21.4
Wako	6∻9	+42.3	1.7	-23.5	-8.0	-22.5
Kankaku	€0.7	+20.9	-15.0	-30.S	-17.3	-27.S
Okasan	43.6	+29.9	-17	-14.2	-80	-8.3
Sanyo	43.0	+16.8	-18.1	-33.7	-17.9	-31.7
Cosmo	26.9	+13.0	-1.0	-8.4	-1,0	-7.3
Tokyo	263	+16.9	-42	-9.3	-4.4	-34.2
Da:-k:N	24.4	+179	-1.4	-8.3	-9.0	-3.5
Yamatane	74.3	+33.6	-4.8	-S.A	-4.5	-9.4

Loans write-off expected

Nomura Securities is expected to write off all the Y400bn (\$3.7bn) in non-performing loans held by its non-bank subsidiary Nomura Finance Co, within the current financial year, writes Gerard Baker. The company said it was considering the move, though no decision had yet been taken.

The broker is currently supporting its sphsidiaries as a group. aiming to write off debts over a longer period at Numura Finance against gains in real estate sales at other subsidiaries. But the company confirmed reports that that policy was now under review. Nomura expects Y100bn in recurring profit in the current year; additional funds for the write-off would most likely come from sales of securities boldings.

rent year. They expect a further improvement in profits. helped by continued strong equity trading volumes. But they still expect to be a long way short of the financial highs they reached in the late

The turnround for the country's big brokers was not reflected at smaller companies. however. Eight of the 10 "second-tler" securities companies reported another year of recurring losses yesterday, in spite of the improving economic environment.

The smaller brokers are much more dependent on brovidual investors than the Big Four, and retail broking has remained sluggish even during the overall recovery in stock trading volumes over the last

Those higher volumes have been dominated by institutional investors and foreign clients, who trade mostly through the larger brokers. But many of the smaller

companies also still have inflated cust bases as a result of over-ambitious expansion in the late 1980s.

The results were just a slight improvement over last year when all 10 second-tier companies reported recurring losses. compared with last year, but not significantly. Two brokers - Kokusai and Wako, both of which rely less on individual investors for their business managed to report small recur-

ring profits.
The 5maller companies will be further hit by the accelerating liberalisation of brokerage commissions in the next year. to reduce their dependency on equity commissions, which account for about 70 per cent of their total revenues.

All the second-tier brokers expect to return to profit in the current financial year, though realising those expectations will depend heavily on the equity market's continued



Hitoshi Tonomura: abandoned law-margin trading and brokerage activities Tonomura puts Nomura's

UK arm back on track A strategy switch has led to a European revival for the Japanese broker, reports Antonia Sharpe

rolling stock and pub-lic houses (bars) do not have much in common with investment banking. Yet by investing in such assets. Nomura International, the Lon-don arm of Japan's higgest

securities house, has engineered a rapid return to profit.

A year ago, Nomura's European operation was on the ropes. Its failure to become a leading force in its chosen mar-kets – such as primary dealing in UK and French government bonds, and trading in European equities - had contributed to a loss of £162m (\$245m)

in the year to end-March 1995. But yesterday, Mr Hitoshi Tonomura, who was sent back to London from Tokyo last year to sort out the operation he had huilt up in the early 1980s, had the satisfaction of showing that he had done just

that. By focusing on Nomura's strengths - its capital, its fran-chise of clients in Japan and the talent it had bired in recent years from rival banks - and by withdrawing from areas where it had insufficient market share to make serious money, Mr Tonomura has returned the European operation to a pre-tax profit of £67m

in the year to end-March 1996, well above the "reasonable" profit he predicted upon his

arrival a year ago.
in an interview with the
Financial Times, Mr Tonomura said the turnround had been achieved by ahandoning low-margin trading and brokerage activities, and by concentrating instead on innovative but profitable businesses such as asset trading, principal finance and securitisation, and eastern

The first two activities, in particular, require extensive use of the firm's capital to make a hig profit, but Mr Tono-mura rejected suggestions he had embarked on a "high-risk high-return" strategy. "This company is not a hedge fund," he said, referring to fund managers who take highly-lever-aged positions in financial markets in the hope of maxim-

ising their returns.
"If you jump into cold water without the right kit it can be high risk and low return," Mr Tonomura joked. However, he ensured Nomura had the "right kit" by putting in place strong risk-management team which constantly monitors the firm's capital. Asset trading involves buy-

ing bonds and other securities

which are trading below their inherent value, in the hope that their price will rise when the market realises that they are under-valued. In early 1995, Nomura launched into this market by poaching Mr Simon Fry, an asset-trading expert, from CS First Boston.

However, of the three activities which now form the foun-dations of Nomura International, principal finance and securitisation has been the most profitable so far. This involves Nomura using its own capital to huy assets which it then re-packages as bonds and sells on to investors.

omura's most notable principal finance deals in the last year were the £672.5m purchase of one of three rolling stock leasing com-panies from British Rail and the £254m purchase of nearly 1,800 puhs throughout the UK. Mr Tonomura, who yesterday took over as chairman of Nomura International from Mr Koichi Kane (who is returning to Tokyo), said that while no product was profitable for ever, these three husinesses would remain "interesting" for the

next five or 10 years. With his

usual caution he added, "But I

don't have a crystal ball."

\$1,943,000,000

All of these securdes having been sold this advertisement popular, up a matter of record only



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Global Coordinator Goldman, Sachs & Co.

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Lehman Brothers

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Barclays de Zoete Wedd Limited CIBC Wood Gundy Securities Inc. Credit Lyonnais Securities Dresdner Bank - Kleinwort Benson **HSBC Investment Banking NatWest Securities Limited** Nomura International **RBC** Dominion Securities Inc. Schroders **Scotia Capital Markets** Société Générale Sumitomo Finance International plc Toronto Dominion Bank UBS Limited

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Goldman, Sachs & Co.

CS First Boston

Merrill Lynch & Co.

J.P. Morgan & Co.

Bear, Stearns & Co. Inc.

Lehman Brothers

Salomon Brothers Inc.

Alex. Brown & Sons Chase Securities Inc. Citicorp Securities, Inc. Dean Witter Reynolds Inc. Donaldson, Lufkin & Jenrette A.G. Edwards & Sons, Inc.

Deutsche Morgan Grenfell Everen Securities, Inc.

Montgomery Securities

Morgan Stanley & Co.

Oppenheimer & Co., Inc. Smith Barney Inc.

PaineWebber Incorporated

Prudential Securities Incorporated Wasserstein Perella Securities, Inc. Advest, Inc.

Furman Selz

Stephens Inc.

Sanford C. Bernstein & Co., Inc. William Blair & Company J. C. Bradford & Co. Dain Bosworth Legg Mason Wood Walker McDonald & Company

Piper Jaffray Inc. Rauscher Pierce Refsnes, Inc.

Edward Jones

The Robinson-Humphrey Company, Inc. Sutro & Co. Incorporated

Wheat First Butcher Singer Gruntal & Co., incorporated

Guzman & Company NatCity Investments, Inc. Samuel A. Ramirez & Co., Inc. Roney & Co. Scott & Stringfellow, Inc.

First of Michigan Corporation

First Southwest Company

Stifel, Nicolaus & Company

Utendahl Capital Partners, L.P.

Muriel Siebert & Co., Inc.

The Williams Capital Group, L.P.

COMPANIES AND FINANCE: ASIA-PACIFIC

Kyocera enjoys record year as sales surge NAB edges

Kyocera, the Japanese maker electronic components, communications equipment and fine ceramic parts, posted record group sales and profits for the year to March 31.

Demand for its products was fuelled by strong growth in Japan's cellular communications market and by PC mar-kets around the world.

The Kyoto-based company, whose operations span electronic components to cellular phones, lifted sales by about 30 per cent to Y647.2bn (\$6.1bn) in the from Y81.2hn last time.

Kyocera, which owns 21.72 per cent of DDI, an operator of long-distance communications and cellular phones, doubled sales of portable phone hand-sets. It also recorded strong sales growth for equipment for the personal handyphone sys-tem (PHS) which DDI has been developing.

Despite a sharp fall in handset prices in Japan, Kyocera was able to make strong profits from cellular phone handset sales after efficiency and cost improvements. This helped the company to more than triple profits in its electronic equipyear and more than doubled . ment operations, on sales up 90 pre-tax profits to Y163.8bn, per cent.

Strong growth in the cellular phone market was further underlined by the buoyant increase in sales at DDI, which yesterday reported a near dou-hling of parent pre-tax profits. DDI lifted profits by 97 per

cent to Y57.7bn on salss of Y470.3bn, up from Y377.9bn. On a consolidated basls, although DDI increased sales by 31 per cent to Y669.6bn its pre-tax profits suffered from large investments in PHS and tumbled 10 per cent to Y61.8bn. Rapidly expanding telecom-munications markets belped Kyocera achieve a 90 per cent increase in sales of its elecexpanding PC markets world-wide. This lifted demand for its semiconductor parts, electronic components and fine ceramics, which all showed double-digit

AVX, a US maker of electronic components, such as ceramic condensers, which 1990, also did well. It saw pretax profits surge 88 per cent to \$209m. AVX was listed on the New York Stock Exchange dur-ing the year, providing Kyocera with an extraordinary gain of Y34.6bp. To commemorate the listing Kyocera will pay a special dividend of Y10 in addition to a full-year payment of Y50 a share.

The group expects continued growth in the telecommunications and PC markets to support a 10 per cent increase in consolidated sales and a 20 per cent rise in operating profits. However, without the benefits of the AVX listing and currency gains, which helped lift pre-tax profits in the last finan-

cial year, pre-tax profits are expected to fall. The company believes demand for PRS will grow firmly this year. Orders averaged 50,000 a month until February, and are now at at 250,000 a month, bringing the total number of handsets shipped to Im by the end of

Tokyo office rents ¥'000 per Isubo'

1992 93 94

off more than Y100bn for its

former investment in the New York Rockefeller Center, and

revaluing one of its subsid-

iary's investment in a London

shi expects to return to a

Y82bn net profit this year. However, its forecast of a

Y20bn recurring profit in the current 12 months marks a big

decline from the Y29bn for the

fice redevelopment. Mitsubi-

ahead 4.6% to A\$998m in first half

By Nikki Tait in Melbourne and George Graham in London

National Australia Bank, Australia's biggest commercial bank and also the owner of a number of banking groups in the UK, US and New Zealand, yesterday announced a profit after tax of Assessm (US\$799m) in the six months to the end of March.

This compared with A\$954m in the same period of the pre-vious year, a rise of 4.6 per cent. Michigan National, the US banking group bought for US\$1.55bn last year, was included from November and contributed A\$89m to profits. Basic earnings per share

were virtually static at 69.4 cents but the interim dividend was raised from 40 cents a share last year to 43 cents. Many analysis had forecast

profits above A\$1bn, and NAB's shares closed 6 cents lower at A\$11.56, having been 19 cents down at one stage. But Mr Cliff Breeze, group general manager, said the bank viewed the figures as "creditable" in a general banking environment "more competitive than we can ever emember' The results were scored after

higher charge for bad and doubtful debts, at A\$162m sgainst ASS6m. However, the bank was somewhat less pessi-mistic than its competitor, Westpac, which reported earlier this week, over the potential deterioration in the credit cycle. This meant that the group's "underlying profit" -adding back the bad debt charge, tax and abnormal items - showed a 9.9 per cent increase, to A\$1.67bn.

The core Australian inter ests contributed A\$635m, up 5 per cent on the previous year. But there was a 7.7 per cent decline in net profits from the UK/Irish operations, to A\$192m - blamed largely on higher provisions at Yorkshire Bank, and continued expenditure on new technology.

Mr Glenn Barnes, NAB managing director for the UK and Europe, said a number of Yorkshire Bank loans had become unsalvageable, as the bank was competing in very difficult economic conditions. He denied that the increase in bad debts was caused by the pursuit of loan volume targets.

Yorkshire Bank had also experienced teething problems with its Systematics computer system. The same system will be introduced at Clydesdale

The Bank of New Zealand had a 3.9 per cent rise in profits, to A\$132m, but the result from New Zealand overall was down from A\$104m to A\$88m. owing to a NZ\$32m provision relating to a valuation issue with the BNZ Officers' Provident Association.

Mr Breeze sald NAB foresaw a "very challenging" second half, but believed it would "continue to do well". The company was continuing to review its strategy on neighbouring Asian markets, and expected to say more in three or four mooths.

NEWS DIGEST

Toray posts first rise in six years

Toray Industries, the Japanese synthetic fibre maker, saw its first rise in group net profits in six years, on the back of inst rise in group net profits in six years, on the back of increased capital investment and enhanced efficiency in its production lines. The company posted a 35.3 per cent rise in consolidated recurring profits – before extraordinary items and tax – for the year to March, to Y40.9bn (\$382.8m), while net earnings increased 81.4 per cent to Y18.2bn. Sales rose Y4.5 per cent to Y941.4bn.

per cent to Y941.40n.
Sales of fibres and textiles, its mainstay, rose 1.7 per cent to Y423.6bn, while plastics and chemicals jumped 9.3 per cent to Y254.5bn. Housing and engineering revenue increased 10.5 percent to Y134bn; pharmaceuticals and medical products fall 14.7 per cent to Y39.5bn. On an unconsolidated basis, the company posted a 6.2 per cent rise in recurring profits to Y36.3bn on a 8 per cent sales increases to Y543.3bn. per cent sales increase to Y543.3bn.

For the year to next March, consolidated recurring profits are projected to rise 36.9 per cent to Y56bn on a 9.4 per cent increase in sales to Y1.030bn.

Emiko Teruzono, Toku Emiko Terazono, Tokyo

Taisho Pharmaceutical climbs

Taisho Pharmaceutical, Japan's leading maker of Taisho Pharmaceutical, Japan's leading maker of over-the-counter drugs, saw a healthy rise in profits for the past business year, due to an increase in sales of drugs developed in-house. Unconsolidated recurring profits – before extraordinary items and tax – for the year to March rose 11.4 per cent to Y61.9hn. Cost-cutting in research and development and sales promotion also helped earnings. After-tax profits rose 16.1 per cent to Y32bn.

Sales grew 4.7 per cent to Y220.9hn, after a 9.1 per cent rise in prescription drugs to Y526bn. Sales of over-the-counter drugs rose 2.4 per cent to Y147.7bn. For the year to next March, the company expects annual parent sales to rise 0.9 per cent to Y223bn, with recurring profits down 12.8 per cent to

The outlook for sales of prescription drugs, over-the-count pharmaceuticals and pep-drinks is sluggish, while the government's cut in official drug prices are likely to erode profit margins. The company also expects sales management costs to rise and a deterioration in its balance of financial

Turnround at Thai media group:

Manager Media Group, a Thai publishing group controlled by entrepreneur Mr Sondhi Limthongkul, owner of the recently-launched Asia Times newspaper, reversed last year's losses and yesterday reported a net profit of Bt152m (\$6m) in the first quarter of 1996. Manager Media lost Bt158m in the first quarter of 1995.

Sales of investments by the company powered earnings, bringing in Bt274m in the first quarter. The company lost Bt21.5m from investments held by subsidiaries.

Manager Media also continues to operate at a loss. It said it,

lost Bt92m on operations in the first quarter, compared with operational losses of Bt115m in the first quarter last year. International Engineering, a trading and mobile phone company in which Mr Sondhi has a significant stake, reported

a first-quarter net profit of Bt121m, an 18 per cent increase over the same period last year. Analysts said profit growth was better than expected - although sales fell 4.4 per cent year-on-year, gross margin expanded to 33 per cent in the quarter compared with 22 per cent in the fourth quarter of Ted Bardacke, Bangkok

CSR and Mobil Oil in venture

CSR, the Australian building products, sugar and aluminium group, said yesterday it was forming a 50:50 road-surfacing joint venture with Mobil Oil Australia. CSR already supplies aggregate to Mobil, which in turn supplies bitumen to CSR. The companies said the joint venture – which they claim will be Australia's biggest road-surfacing unit with annual revenues of about A\$300m (US\$240.2m) – will allow for reduced overbeads and lower operating costs.

Competition authorities have indicated they will not oppose

Goldsmith lifts Elders stake

Sir James Goldsmith's General Oriental Investments notified : the Australian Stock Exchange yesterday it had again raised its stake in Elders, the agricultural products group which is subject to an agreed bid from Futuris, a Perth-based mini-conglomerate.

General Oriental took its stake to just above 5 per cent shortly after the A\$280m Futuris offer was announced, and said yesterday it now held 6.76 per cent. There have been suggestions that General Oriental may be anxious to block the

James Hardie business for sale James Hardie, the Australian building products group, said yesterday it was putting its irrigation products business up for sale. The division has annual sales of US\$135m.

Signs of recovery in Tokyo property market

Kyocera also benefited from

tronic equipment division.

By William Dawkins in Tokyo

Tokyo's office property slump has bottomed ont, on the evidence of annual results yester-day from Japan's three leading

property developers.
The trio, Mitsui Fudosan,
Mitsubishi Estate and Sumitomo Realty & Development, all reported sharp falls in recurring profits - before tax and extraordinary items - in the year to March. However, they forecast modest underlymonths. They were all affected by declining office rents and occupancy rates and a fall in prices for city-centre condominiums, their two main sources of profit.

But the office market has picked up in since March, so that central Tokyo office vacancy rates have fallen to around 4 per cent, from 5.8 per cent in the same month last year, said Mr Mark Brown. property analyst at Barclays de Zoete Wedd in Tokyo, Rents are widely expected to stabi-

By Emiko Terazono

Two Japanese chemical companies belonging to the Mitsui group posted strong earnings growth for the 12

months to March as a result of

brisk exports and rationalisa-

Mitsul Toatsu Chemicals said non-consolidated current

profits jumped nearly nine-fold

from the year before to Y11.3bn

(\$105m) following streamlining

production and distribution

Sales rose 3.4 per cent to

Y393.3bn supported by strong

exports. After tax profits grew

Sales of electronic parts and

other chemical products rose

10.7 per cent to Y62.1bn

while basic chemical product

sales gained 3.8 per cent to

For the current year to next

March, the company expects

unconsolidated recurring prof-

its to rise 32.6 per cent due to

an expected improvement in

its balance of financial items.

Sales are expected to remain

close punctually at 10.00 am.

For the Board of Directors

PETROFINA

in Tokyo

operations.

5.3 times to Y4.1hn.

Foundations for upturn (Y m)									
	Sales	Recurring profit*	After-tex profit	Dity (Y)	EPS (Y)				
Sumitomo Realty									
Year to Mar 96	245,287	4,801	2,974	8	7.31				
Previous year	204,200	5,488	2,128	a	5.29				
Year to Mar 97†	230,000	5,000	5,000	а	12.29				
Mitsui Fudosan									
Year to Mar 96	664,351	8,405	6.939	9	8.54				
Previous year	737,500	11,031	2,982	9	11.08				
Year to Mar 97†	630,000	8,500	7,500	9	9.23				
Mitsubishi Estate		-							
Year to Mar 96	404,749	29,308	(121,333)	8	-93.39				
Previous year	420,100	32,688	24,357	8	18.75				
Year to Mar 97†	379,000	20,000	82,000	8	63.23				
before extraordinary learns ar	Source: Companies								

lise, after having declined by up to 60 per cent over the past five years, Condominium prices, bowever, remain weak. The commercial property

market has turned round, but this has not been reflected in the property developers' results," added Mr Etsusuke Masuda, property analyst at James Capel Pacific. Mitsui, the largest and most

aggressive developer, which

flat at Y390bn. With after-tax

profits expected to rise 47.5 per

cent to Y6hn, the company

plans to raise its annual divi-

tries saw unconsolidated recur-

ring profits rise 80.7 per cent to

Y17.3bn on an 11 per cent

increase in sales to Y330.3bn as

a result of higher prices and an increase in technology fee

The separation of its polypro-pylene business and acquisi-

sales by Y1bn, although the

move had little impact on over-

all earnings. After-tax profits jumped 148.8 per cent to

For the current year to next

March, the company expects

unconsolidated recurring prof-

its to fall 1.9 per cent to Y17bn

revenues by Y4bn and a

decline in terephthalic acid by

Y14bn is expected to depress

sales by 6 per cent to Y312bn.

After tax profits are expected

to rise 15.2 per cent to Y9.5bn

thanks to dividend income.

TEGE SA

NOTICE

Shareholders are invited to attend the

ANNUAL GENERAL MEETING

of TEGE SA

Monday, 10 June 1996 at 10.00 am at the

Conference Centre, Hotel Royal Plaza Intercontinental,

Grand Rua 97, 1820 Montreux, Switzerland

The Annual Report, Auditors' Report and Annual Group

Accounts will be available to shareholders from the TEGE SA

offices. Switzerland from 17 May 1996. A copy of these reports

will be sent to shareholders, tree of charge, on written request.

Entry to the Annual General Meeting will be permitted only on

presentation of share certificates or a bank confirmation stating

The reception area will be open from 9.30 am to 9.59 am.

Admission certificates and ballot papers will be distributed

during this period. The doors of the Conference Centre will

For more information please contact Miss Helena Kyrtakides TEGE SA Registered Offices: c/o Notary Pascal Pittet, Rue du Théatre 3, 1820 Montreux, Switzerland Tel: +41 21 943 4771 Fax: +41 21 943 4244

On May 10, 1996, the Shareholders approved a gross dividend payment of 352 BEF (264 8EF net for one ordinary share and 299,20 BEF net for one VVPR share). The dividend will be payable as from May 23, 1996 against coupon or 12 at: Banque Bruxeles Lambert a Générale de Banque = CGER-Banque = Kerdietbank = Banque Panbas Belgique = Banque Nationale de Paris = Crédit du Nord = Banque Int. à Luxembourg = Zanque Gén. du Luxembourg = Commerzbank = Deutsche Bank = Dresdner Bank = ABN-Amro Bank = Crédit Suisse = Société de Banque Suisse = Union de Banques Suisses = Creditio Italiano = Bandays Bank (Throomorton St. Landen)

PetroFina S.A.:52 rue de l'Industrie - B - 1040 Bruxelles

Italiano - Bardays Bank (Throgmorton St., London)

A decline in technology fee

due to higher resin prices.

Mitsui Petrochemical Indus-

Earnings increase at

Mitsui chemical units

derives 54 per cent of its revenues from selling condominiums and the remainder from office leasing, reported a 23.8 per cent decline in recurring profits to Y8.4bn (\$78.6m), well short of its own forecast. It expects a slight recovery to

profits of Y8.5hn this year. The main feature in Mitsui's underperformance was an 11 sales, where gross margins

Motors posts

sharp advance

Hindustan Motors, the Indian

cars and beavy engineering group, announced a 72 per

cent increase in net profits to

Rss.1bn (\$147m) in the year to

March 31, compared with

Rs2.97bn in the previous year.

Net sales were up 24.43 per cent to Rs92bn. Earnings per

share rose to Rs4.75 from

Rs2.76. The company proposed

28,142 in the previous year.

However, the company said

that it "could not take full

advantage of the bnoyant

Indian car market because of

capacity constraint. But now

we have taken up a project to

make Mitsubishi Lancer cars

with Mitsubishi Motors of

Japan. Initially, the new plant

will have capacity to produce

The company has also teamed up with Oka Motor of

Australia, maker of four-wheel

drive vehicles, to make cars

for the Indian rural market.

Cheung Kong

Finance

China Limited

U.S. \$350,000,000

Exchangeable Guaranteed

Floating Rate Notes

due 1999

guaranteed by

Cheung Kong

(Holdings) Limited (memperated in Hong Kong such landed habitage)

and exchangeable into

shares of

Cheung Kong Holdings (China) Limited

(incurporated in Hong Kong with limited hability)

Notice is hereby given that

for the interest Period 15th May, 1996 to 15th August,

1996, the Notes will carry a

Rate of Interest of 6 per cent.

per annum. The Interest

Amount per U.S. \$250,000 Note will be U.S. \$3,833.33

payable on 15th August, 1996.

Lated on the Learnbourg Stock Enchange

Bankers Trest Company, London Agent Benk

30,000 cars a year."

here in technical collaboration

a dividend of Rs1 a share.

Hindustan

tive and crowded market. There was also an unexpected rise in administration costs, from 5 per cent of turnover to 6 per cent. That was partly offset by a Ylobn decline in net interest charges, chiefly because of the fall in Japanese interest rates last year, but also attrib-utable to debt reduction.

Sumitomo, whose revenues are split roughly evenly between property sales and rentals, was another to come in below its forecast, with a 12.5 per cent decline in recurring profit. However, net profits were up 39 per cent because of a sharp decline in extraordinary charges. Like Mitsui, Sumitomo foresees a modest recovery this year, with a forecast rise in recurring profits from Y4.8bn to Y5bn.

Mitsnhisbi Estate, which derives nearly all its revenue from leasing office apace, reported s 10.3 per cent recurring profit decline, but a Y121bn net loss - in line with its own forecast - after writing

year just ended. Finance One ahead 46% in first term

By Ted Bardacke in Bangkok

Finance One, Thailand's largest finance company, yes-terday reported first-quarter net profit of Bt633m (\$25m), up 46 per cent on the same period a year ago.

The company, controlled by Mr Pin Chakkaphak - who this year engineered the takeover of a commercial bank and the merging of two large regional brokerage bouses - attributed rising profits to a strong perinvestment portfolio. Portfolio gains in the period were Bt260m, compared with a Bt35m loss in the first quarter of 1995. Nevertheless, One Holding, Finance One's investment arm, reported first-quarter net profit down 23 per cent from the same period last year, at Bt31m.

Increased turnover on the Thai stock market, where Finance One affiliates control about 16 per cent of all trading, also belped earnings. Brokerage fee income rose 41 per cent in the first quarter. But like Thai banks, Finance

RENFE

FERROCARRILES

ESPANOLES

US\$500,000,000

in accordance with the

RED NACIONAL DE LOS

Floating rate notes due 1998

Unconditionally guaranteed

by THE KINGDOM OF SPAIN

provisions of the notes, notice is hereby given that for the six months interest period 17 May 1996 to 18 November 1996

the notes will carry an interest rate of 5.4375% annum. Interest

payable on 18 November 1996

Agent Morgan Guaranty

Trust Company

JPMorgan

National Westminster Bank

U.S.\$500,000,000 Junior FRNs

Notice is hereby given that the Rate of interest has been fixed at 6.0% and that the interest poyable on the relevant interest Payment Date November 18, 1996 against Coupon No. 25 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$770.83 and in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$154.17.

By: Citibank, N.A. (Issuer Services), London Branch, Agent Bank

will amount to US\$279.43 per US\$10,000 note and US\$2,794.30 per US\$100,000 note.

One suffered on the lending side, where net interest margins declined as loan growth slowed while funding costs remained high. Finance One's net interest income rose only 5 per cent in the quarter.

The company said it was still waiting for official approval from the ministry of finance and the Bank of Thailand to go ahead with the proposed pur-chase of a controlling 20 per cent stake in Thai Danu Bank. Both of Thailand's mobile reported healthy first-quarter profit growth. United Communications,

parent company of Singapore-listed Total Access Communications, reported first-quarter net profit of Bt680m, up 19 per cent compared on the year before. AIS, a subsidiary of the Shinawatra group of companies, also reported strong net profit growth, of 70 per cent, to Ht898m. Many analysts were surprised by the results and said AIS continued to show healthy operating margins despite a decline in new subscribers.

U.S. \$100,000,000

DEN DANSKE BANK (Des Dansis Bank at 1871 Aktieseiska Perpetual Subordinated Floating Rate Notes

In accordance with the provisions of the Notes, rodice in hereby given that for the Interest Period from May 17, 1996 to November 18, 1996, the Notes WE carry an Interest Rate of 5.675% per amount. The Interest payable against Coupon No. 24 on the relevant interest payment days, November 18, 1996 will be U.S. 5301.81. Dy: The Chara Manhallon Street, M.A. Latting, Agent Stank

ADELAIDE BANK LIMITED MULTIPLE OPTION FACILITY DATED MARCH 25, 1994 In accordance with the provisions of the Transferable Loss Certificate Issued on May 11. 1994, notice is bereby given that for the text interest period from May 16. 1996 to August 16. 1996, the Certificate will carry an Interest Rate of 6.1125% or source. Burtleys Benk PLC. Hong Kong As Pacility Agent

Capital One Master Trust U.S. \$300,000,000 Floating Rate Class A Certificates, Series 1995-2

For the interest period 15th May, 1996 to 17th June, 1996 the Certificales will carry an interest rate of 5.53969% per annum with an amount of U.S. \$50.78 payable per amount of U.S. \$50.78 payable per U.S. \$10,000 denomination and U.S. \$507.81 per U.S. \$100,000 denomination, payable on 17th June, 1996.

Union Bank of Switzerland London Branch Agent Bank 13th May, 1996

NOTICE TO THE BOLDERS OF Map Investment N.V.

(the "Inmer") 3% Participating Band Dan May 17, 1999 (the "Box The lawer has declared and will pay U.S. \$12,180,084.00 Participating interest due and payable on May 17, 1895. The annualized perustrage rate is equal to 2,9804% and the amount of Participation Interest payable on U.S. \$10,000 principal amount of the Bonds in case in. U.S. Trust Company of California, N.A.,

HEMISPHERES FUNDING CORPORATION Guaranteed Asset Backed Floating Rate Notes, Series 1994-A U.S.\$300,000,000

Interest Accruel Rare Coupon Amount (USD) Senes 1994-A Notes 5.980000% U.S.\$4,584,666.67 This Interest Accusal Rate and Coupon Amount should be used when deter the interest payable on Fralay, August 16, 1996.

Bankers Trust Company May 17. 1996

Notice of Early Redemption to Holders of Series G

RSVP Westminster Limited U.S. \$154,000,000

Guaranteed Extendible Variable Rate Notes due 2005/2006 NOTICE IS HEREBY GIVEN that in accordance with Section 5.03(a) of the Indenture, dared 3bs October, 1990, Series G of the U.S. \$154,000,000 Guaranteed Extendible Variable Rate Notes due 2005/2006 of RSVP Westminster Limited (the "Bords") will be redeemed in full by RSVP Westminster Limited on the Interest Psyment Date falling on 13th June, 1996 at their Principal Amount ourstanding on that date together with interest accrued to the Date of Redesuption.

Paying Agents Dankers Trust Company
I Appoid Street
Broadgate
London EC2A 2HE Burders Trust Luxembourg S.A. P.O. Box 907 14 Boulevard F.D. Roosevelt Interest shall cause to accrue on the Bonds from 13th June, 1996.

Bankers Trust

17th May, 1996

Principal Paying Agent

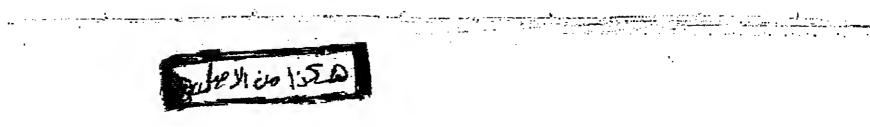
CHEVY CHASE MASTER CREDIT CARD TRUST II U.S.\$138,000,000 Class A Floating Rate Asset Backed Certificates, Series 1995-B

U.S.\$12.000,000 Class B Floating Rate Asset Backed Certificates, Series 1995-B Interest Accrual Rate Coupon Amount (USD)

5-679690% 5.799690% 05/13/96 05/15/96 33 Labor Determina Accrual Period: non Dare: 06/16/96 Days in Account Period:

These Interest Accessal Rates and Coupon Amounts should be used when determining the interest payable on Monday, June 17, 1996.

Bankers Trust Company May 17, 1996



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BT moves to

pricing clash

avoid Oftel

Nat Power plans £1bn pay-out

By Patrick Harverson

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- 10 M. Pise Day

and Depart

National Power is expected on Monday to announce plans to return more than £1bn (\$1.52bo) to its shareholders through a special dividend and a big annual dividend increase.

It is likely to be the largest pay-out to shareholders made hy a UK company, comparable only to the fibn special dividend TSB paid to shareholders in November prior to its merger with Lloyds Bank.

It will dwarf the amount PowerGen, its generating rival. intends to spend on a similar exercise to reward shareholders. It announced plans on Wednesday for a £400m sbare

Both companies are handing over buge sums to shareholders because, having been prevented by the government tricity companies, they have access to large amounts of money which must be invested efficiently Giving it to share-holders is seen in the City as

National Power had agreed a 22.5bn bid for Southern Electric and PowerGen had lined up a £1.9hn bid for Midlands Electricity until Mr lan Lang. the trade and industry secrelary, blocked the deals last month on the grounds that they would hinder competition In the geogration market Although National Power

takeover of Southern with deht, it had also planned to use the proceeds from the sale of four power stations to Hanson, the industrial conglomerate. Under the terms of that deal, almost £400m of the total £1.7bn Hanson would pay National Power over 10 years was going to be paid up front. That money will now go

towards the pay-out which ana-

lysts expect to total more than

£1 hn. The final payout could disappoint some investors because the company had at one stage been considering returning between £1.5bn-£2bn to shareholders as a defensive measure against a possible takeover by

ta-based utility.

However, last month the US group - which already owned e UK electricity distributor - was warned off the deal by the government, which said it would use its "golden share" in National Power to prevent anyone buying more than 15 per cent of the company.

Since the threat of a take-

over was removed, National Power has been deciding bow to structure the shareholder package. The bulk of the money is expected to be handed over in the form of a special dividend, which will be announced when the company

It emerged that BT is trying to persuade Oftel to adopt a price formula which could bencfit residential and small husipublishes its annual results oo Monday. oess customers, avaiding the imposition of controls which it believes will unduly damage

Sir Peter Boofield, BT chief executive, boped Oftel would recognise the velue of price controls for "some services and some groups of customers".

The likelihood of a bruising

clash later this month between

British Telecommunications

and Oftel,the industry regula-

tor, recoded yesterday, as the

UK's dominant telecoms opera-

tor announced its best results

for some years.

profitability.

Sir Peter Bonfield said talks were continuing with the industry watchdog over the regulatory regime for the five years between 1997 and 2001. Mr Don Cruickshank, Oftel

director general, has suggested he will cap 60 per cent of BT's range of prices through a formula equal to the rate of inflation minus 5-9 percentage

points. He also wishes to include a fair trading rlause in it finds both conditions unacceptable; if a compromise cannot be found, a referral to the Monopolies and Merger Commission seems inevitable. BT argues that prices for res-

ideorial and small business customers alone should be capped at between say, inflation minus 3-5 percentage points. The effect would be to shift the price burden towards big business customers. Profits before tax in the year

to March 31 came in at £3.02bn, (\$4.59m), more than 13 per cent up and well aheed of market expectations. Taking into account a sharp decline in redundancy costs and other non-recurring factors, the profits rise was 6 per cent. Turnover was 4 per cent up

at £14.45bn. Sir Peter said the focus was

on developing the business at home and abroad. After the failure of merger talks between BT and Cable and Wireless. further investment was needed in the Asia Pacific area

LEX COMMENT

British Gas

What goes down must come up. That, at any rate, has been the flawed hope of Share price relative to the many investors who have FT-SE-A All-Share index doggedly hung on to their British Gas shares. As a bit of investment logic, it has proved disastrous. With the flow of bad news epparently unending, it is not surprising that so many are now finally losing patience and cutting their losses. But the

sbares have fallen far enongh. For a start, yesterday's results are bardly relevant. What they show - that British Gas is getting ham-mered in the business mar-

ket - relates entirely to British Gas Energy, the trading arm which is to be demerged. Valuing this side of the business is a highly speculative game, and the niceties of current performance pale into insignificance besides its £40bn worth of

So what are the shares worth? Start with the initial 20-28 per cent price cuts recently proposed by the regulator for Transco, BG's pipeline business. They would leave Transco with free cash flow equivalent to 5.7p-9.7p a share. There is a reasonable case for taking a figure nearer the top of the range - say 8p - since the justification for the harshest cuts looks shaky. If all the free cash flow was paid as a dividend and put on the same yield as the water sector, Transco's value would be 155p. Add a conservative stab at the value of British Gas Energy - 25p and you are already above last night's price of 174.5p, with the risks more likely to be on the upside. This may not amount to a strong buy recommendation, but if the shares continue to fall it will be a triumpb of sentiment over the facts.

BTR shares fall 5% on warning

By Tim Burt

Shares in BTR fell almost 5 per ceot yesterday after the industrial manufacturing group issued a profits warning following trading difficulties in its polymer and automotive sides.

The company said problems at its Taiwanese polymer plant and high start-up costs in its automotive sealings husiness would dent its first-half performance, with operating profits failing to match the \$750m (\$1.14bn) last year.

BTR shares fell 14p to 297p as more than 21m shares changed hands.

Most analysts cut their profits forecasts for the current year from about £1.47bn to £1.4bn. Some suggested the group might report profits of no more than £1.38bn, compared with £1.5bn for 1995.

Mr Ian Strachan, who took over as BTR chief executive trading difficulties.

earlier this year, blamed the difficulties mainly on volatile pricing and weak demand in the polymer business The company, which ruised £900m from disposals last year, is thought to be considering sell-

ing the polymer business. He also predicted improved productivity from the sealings systems business, where uutput has been hampered by the high cost and time taken to install new production facili-

Profits in sealing systems, part of BTR's transportation division, bave fallen £15m since December.

The company also admitted that Varta, the lossmaking German battery manufacturer acquired for £56m last year, had yet to break even.

Mr Stracban maintained it was "good bousekeeping" to keep shareholders informed of



Clyde bids A\$173m for Crusader

By Jane Martinson in London and Nikki Tait in Sydney

Clyde Petroleum, the UK-based iodependent oil company, yesterday bid A\$172.8m (£91.4m) cash for Crusader, an Australian energy group. Mr Malcolm Gourlay, execu-

tive chairman, said the deal

expanding reserves through acquisition as well as explora-

The offer of A\$1.62-a-sbare represents a premium of 34 per cent over Crusader's share price of A\$1.21 before the announcement, it consequently jumped 42 cents. Clyde's shares

Mr Gourlay said be expected Crusader, which reported a post-tax loss of A\$3,3m after abnormal items in 1995, to be

profitable by the year end. Triton Energy, the US oil producer and Crusader's biggest shareholder with 49.9 per cent, said it intended to accept

higher bid. Crusader's board said it believed the offer was "fair and reasonable" The deal would increase

Clyde's reserves by almost day and lengthen its reserve life by about eight months to

Pillsbury helps lift **GrandMet**

By Roderick Oram

A strong performance from Pillsbury in the US belped Grand Metropolitan overcome flat profits from spirits and a decline at Burger King to report modest growth in interim profits.

Pre-tax profits of £455m March 31, up 3.2 per cent, were at the top end of City forecasts. Underlying profits rose by nearly 10 per cent and the company told analysts it was considering share bny-backs. But the shares slipped 6p to 440p because the City bad boped for an even more upbeat view on spirits. IDV, the drinks arm, turned

in the best results the sector has seen for years with underlying volume growth of 5 per cent and price rises averaging 1.5 per cent. Pillsbury's profits rose 47

per cent to £240m on turnover up 32 per cent at £1.87bn, reflecting a full contribution from the Pet Mexican food acquisition and 11 per cent organic growth.

British Gas hit by tougher times

By Patrick Harverson

The problems keep piling up for British Gas. Yesterday, just three days after the industry regulator proposed swingeing price cuts for its core pipeline business, the group revealed that lower gas prices and increased competition had pushed its industrial and com-

during the first quarter. The losses meant that despite a £100m gain from increased sales during the extremely cold winter, net profits on a historical cost basis fell from £505m to £573m (\$871m) well below analysts' forecasts. Earnings were 13.1p

The disappointing results spelled further bad news for beleaguered British Gas sharebolders, who saw the share price fall another 14p to 1741/4p. Since Ofgas, the regulator, appounced its new price controls on Monday the shares bave dropped 23 per cent. British Gas bas been the worst performing stock in the FT-SE 100 index over the past

16 months, losing 44 per cent of

The company also admitted yesterday that services stan-dards had fallen during the quarter because of the disruption caused by its restructuring programme.

nance calls and response times to customer inquiries both deteriorated, It said.

virtually unchanged at £969m. Interest costs donbled to £60m mainly due to restructuring-related spending which saw another 3,000 staff volun-

bave to shed 10,000 staff. Losses from the commercial

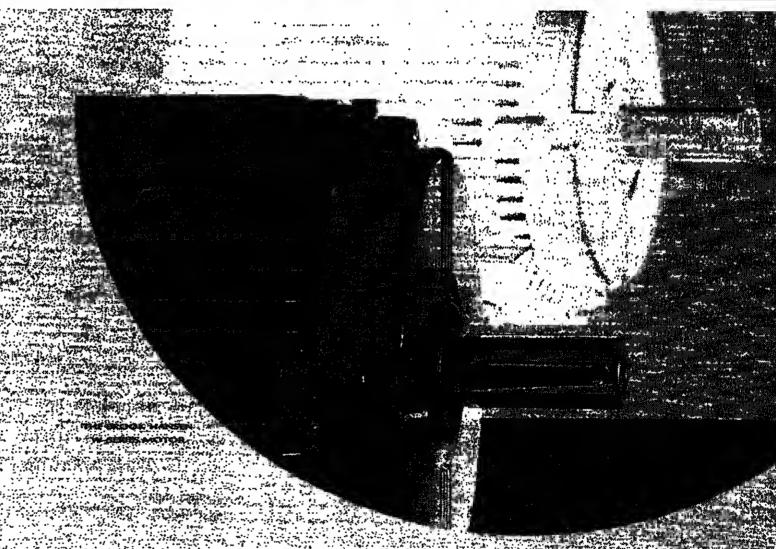
Its ability to cover mainte-

£3.24bn (£3.15bn) but after costs that rose 4 per cent to £2.28bn, operating profits were

tarily leave. The workforce has been reduced by a third to 46,370 since 1993 and further cuts are likely. However, British Gas has warned that if it is forced to accept the regulator's price cuts for 1997-98 lt may

business were £95m, against e small profit in the same quarter last year. Transco, the pipeline busi-

ness, showed an operating profit of £619m (£560m).



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provide industries worldwide virth a powerful and. ersagle solution to any communes litting pulling opening of closing need - however large or small

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FINAL DIVIDEND 1995

At the Annuel Generel Meeting of Shereholders held on 15 May, 1996, the dividend for the fiscal year 1995 was fixed at NLG 2.37 per common share of NLG 1.00 per velue. After deduction of the interim dividend of NLG 0.82 peid elready, the final dividend emounts to NLG 1.75 per common ehara of NLG 1.00

The finel dividend will be paid out antirely in cash, or in stock out of the tax-free paid-in surplus or if so raquestad out of the 1995 nat income, in eccordanca with the shareholdars' preference es previously indiceted. The new sheres will perticipete fully in the 1996 results and those of subsequent yeers.

Except for holdars of New York sheree, the finel dividend will be payable as from 29 May, 1996 at the heed offices of: ABN AMRO Bank N.V., Benk Lebouchare N.V., Cooperetiave Centrele Reiffeisan-Boarenleenbank B.A., Internetionala Nederlanden Benk N.V., MeesPierson N.V., Kredietbank N.V., Brussels, Kradietbenk S.A. Luxambourgeoiea, Luxemburg,

Schwaizerischer Bankverein, Schweizeriecha Kreditanstalt, Schweizerische Benkgesellscheft, Zürich, Besal end Genave, Deutsche Benk A.G., Düsseldorf, end J. Hanry Schroder Wagg & Co. Ltd., London. For shareholders who have elected for payment antirely in cesh, dividend coupon no. 8 will pey NLG 1.75 less e 25% dividend lex.

Holdera of common aheres who have elected for peyment in stock will receive one common chere of NLG 1.00 per value upon surrender of 51 coupons no. 8. Coupons must be aurrendered to N.V. Nedarlendsch Administretie- en Trustkantoor, Herangrecht 420, 1017 BZ Amstardem, Tha Netharlands.

Rights to the dividend payment in ceeh or etock will be made evailable to holders of CF Certificates through those institutions which have been ecting as custodisms of the coupon sheate for their sheres et the close of businese on 16 May, 1996.

The published commission rates will be peid to members of the Amsterdem Stock Exchange to enable them to exchange dividend coupon no. 8 for common eheres without cherging commission to ehareholders.

The Executive Board

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IMPORTANT NOTICE BANCO FRANCÉS DEL RÍO DE LA PLATA S.A.

To Holders of Bearer Securities Representing US\$40,000,000 10.25%
Class A Negotiable Obligations Due March 4, 1998
Common Code: 4212355 ISIN Code: XS0042123553
Capitalized terms used but not defined herein have the meanings assigned to them in the Fiscal Agency Agreement dated as of March 4, 1993 pursuant to which the above Seculities have been issued.

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REGISTERED GLOBAL CERTERICATE.

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(Lay de Montandinizad de los Titulos Valores Privados), review it mandatory, as a matter of
Argentine public policy, for any security issued by an Argentine private entity (including the Bears
Securities equad pursuant to the Fiscal Agency Agreement) to be converted to a non-endonable
registered form. The Law also allows book-only securities (filtules escriburates), to furtherwice or
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(R million)

- R million

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cents per share

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COMPANIES AND FINANCE: UK

Gareth Davis

Creaming - Lord Herson

Chief exec. Andrew Dauge

Turning (2m) 1,070

Delta allocation (20n) 0.1-0.2

ped Peabody's operating profits

Hanson's US businesses, said

Peabody was seeking \$100m

(£65.7m) cost savings this year

plete the remainder before the

reduce working capital, which rose from £189m to £396m -

mainly because of increased

Current

The company also vowed to

Mr Bill Landuyt, who heads

Operating profit (2m)

to help lift margins.

demerger."

Eastern maiden lifts Hanson

Energy gains help offset declines elsewhere, reports Tim Burt

per cent increase in first half operating profits after unexpectedly high contributions from Eastern offset sharply reduced profits in the chemi-cals business.

A £177m maiden profit from Eastern, the regional electricity company acquired last year for £2.5bn, helped lift operating profits from £745m to £811m on increased sales of £6.19bn (£5.87bn) in the six months to

After stripping ont the flat-tering affects of the power business and the £122m profits from discontinued businesses. underlying profits fell from £571m to £510m.

Mr Derek Bonham, chief executive, blamed the downturn on a disappointing performance in the chemicals divi-Millennium Chemicals later this year. Profits fell from £267m to

and a sharp fall in polyethylene prices. Profits at Quantum, the division's US polyethylene producer, fell from £213m to £84m

following heavy destocking in

the first quarter.

Fire Art Deve

Grand Me

£149m amid sluggish demand

Although chemical prices have stabilised in recent months, Hanson warned that Quantum's full-year profits were unlikely to match

6 miles to Mar 31

3 miles to Mar 31 \$

8 miles to Mar 31 ... Yr to March 31 Yr to Dec 31

Yr to Feb 29 *

Yr to Dec 31

Yr to Dec 31

6 miles to Mar 31

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Chalingan Derek Bonham Chief exec. William Landuy! Chief exec. Tigrams (On) Parnover (2m) - 1,861 Operating profit (2m) -149 Operating profit (2m) Debt affocation Etri. 1,3-14 Debt effocation (20n) 1.0-1.2

John Deveney at Engelher Tymover (Em) . . . 1,826 Operating profit (£m) Sebt elecation (Chrit 1.0-12 ritedm results als months to \$1-3-96

the £451m achieved last Nevertheless, its weak performance was offset by

improved contributions of £53m (£44m) from SCM Chemicals and £12m (£10m) from Gildco, the speciality chemi-The energy business, by com-

parison, reported sharply improved profits of £273m (£98m) as cold weather lifted Eastern's sales. Its profit contribution offset a fist first half at Peabody,

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3,0194 88.1 67.8♥ 5.34

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(1.82) (6.5)

(1.87)

0.35L

Earnings shows basic. Dividends shown not, Figures in brackets are for corresponding period. #Comparatives restricted. #Second interior; makes 6p to date. *Excludes 40p special. *Foreign income dividend of 1p and conventional payment of 0.8p. *[44] September 30. TiFirst

1.25 (1.18)

(37.3) (3,149) (13,893)

(72.4) (+) (46.4) (174.5)

(340.1)

(37.4)

(5,873

(255) (47,7) (8.49) (80) (35.3)

1,243 74.7

60.2 206.4

394.8 4,551 11.9 37.8

6.190

13.3

91 36.7

. 8 roths to Mar 31 * 474.7 (385.4) 0.478 (0.448)

_ 6 mits to Mar 31 205.9 (198.4%)

spending and price competition Hanson's North American coal at Eastern and Imperial mining arm. Reduced demand The rise contributed to a in the south-western US clip-

negative operational cash flow of £377m, against a positive figure of £101m last time. Hanson ended the half year

with net dabts of £4.98bn (£2.22bn). Mr Bonham pre dicted year-end debts would fall to about £3.6bn following the group's recent disposal pro-Imperial Tobacco, mean

while, reported profits up from £160m to £174m on sales of £1.86bn (£1.84bn). The improvement was helped by higher overseas and dnty-free profits. and an increased share of the UK cigarette market. The building materials and

equipment division saw profits dip from £75m to £70m as cutbacks in the IIK medbuilding programme hit its ARC aggregates business. The division, which is to

retain the Hanson name follow ing the demerger, saw profits in the bricks business fall from £15m to £10m. Its small electrical unit also reported profits "We have already achieved \$50m and should easily comdown at £8m (£8m).

These modest contributions were offset by increased gains of £23m (£15m) in the materials handling arm.

Mr Bonham concluded: "The strong market of our principal companies places them in a powerful position to continue their growth as independent businesses following the

0.75

10.65

NEWS DIGEST

CTR restructure wins support

Central Transport Rental, tha trailer rental group formerly known as Tiphook, plans a financial restructuring which involves swapping £213m (\$323.8m) of debt, representing 45 per cent of borrowings, for equity.

Mr Jim Bennett, managing partner of Bennett Restructuring
Fund in New York, one of the biggest shareholders with more Alasta

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than 10 per cent, said: "The structure makes sense and it gives the company a chance to go out and buy new equipment. I could have been a lot worse for shareholders."

However, he said he had not yet made a final decision on the proposals, which could leave existing shareholders with only i5 per cent of the equity.

Analysts said that CTR's other large shareholder, Appaloosa

Management of New Jersey in the US, which owns more than 10 per cent of the shares and a large slice of the bonds, was also likely to vote in favour. Appaloosa is understood to have already approved the proposals in its capacity as a bond-holder. Appaloosa rafused to comment.

Mr Ian Clubb, CTR's executive chairman, said that the group hoped to have concluded the sale of its rail division by ext week for a consideration of about £26m.

The group also won a £3.1m court case yesterday, after the Court of Appeal rejected a claim by Darwen Leasing that it should receive the proceeds from the group's executive jet. Mr Clubb said that the refinancing proposals would leave the group with more than £110m to invest in new trailers. The group intended to reduce its fleet in the UK and increase its Geoff Duer activity in the contract hire market.

Glaxo Wellcome shares jump

Glaxo Wellcome, the UK's largest drugs company, yesterday delivered a better than expected report on sales growth for the first four months of the year sending its share price up 47%p to 8361/4p.

Glazo said sales rose 11 per cent in the four months to Amil-30 Trading profit growth was "well in excess of sales growth" thanks to the cost savings arising from the takeover by Glaxo

of Wellcome just over a year ago.

Sir Colin Corness, chairman, told the company's annual meeting that the sales growth had come in spite of a 10 per cent fall in sales of Zantac, the ulcer drug that was the world's biggest selling medicine in 1995. He reaffirmed that Zantac sales could be hit by competition

after patent expiries in some markets, including the US, from

Compass doubles to £67.8m

Compass, which has grown by acquisition to be one of the world's biggest contract catering groups, more than doubled interim profits as sales jumped to more than £1bn (\$1.52bn). "We have achieved all our objectives," said Mr Francis Mackay, chief executive.

The group had built a strong market presence in the UK, US and Europe. The emphasis would now be on organic growth. Pre-tax profits rose from £31m to £57.8m for the six months to the end of March. The results include profits of £3.2m (£7.9m) and sales of £15m (£35.1m) from the hospital division, sold to a management buy-out in December for £178.8m.

Mr Mackay said that the integration of Eurest International equired last summer for £590m, was progressing well. Eures contributed £23.5m to profits in its first full half - in line with expectations. Last month the group won control of Eurest France in the face of a rival offer from Sodexho, the leading French caterer that also owns Gardner Merchant of the UK. David Blackwell

AMEDET Abridged audited results for the year and final dividend

Investment income	346
Interest earned	46
Surplus on realisation of investments 4	207
	599
Administration expenses	7
Cost of prospecting	26
Grants - educational and welfare	7
Net income before taxation	559
Taxation	11
Net earnings	548
Earnings per share - cents	
- earnings excluding surplus on realisation of	
investments	1.412
- earnings including surplus on realisation of	-,
Investments	2,269
Dividends	
R million	338
cents per share	
- Interim	800
- final	600
Market and directors' valuations of investments	
Listed - market value	7.488
Unlisted - directors' valuation	77
Loans	27
	7,592

DIVIDEND
Dividend No. 96 of W cents per share has been declared payable on Friday. 5 July 1996 to shareholders registered at the close of business on Friday, 31 May 1996. The register of members will be closed from Saturday. 1 June 1996 to Saturday, 8 June 1996. The full conditions relating to the dividend may be inspected at the Head Office and London Office of the company and at the offices of its transfer secretaries. Head Office: 44 Main Street

Johannesburg 2001

19 Charterhouse Street London EC1N 60P 16 May 1996

이이브 The annual report will be posted on or about 21 June 1996.

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ISIN Number: KYG079982909 Common Code: 5442494

In accordance with term & of the Warrants, notice is hereby given to holders of the Warrants that, following the Bonus Issue to Volvo AB shareholders of 1 Swedish Match share for every Volvo AB share held, the from Friday 10 May 1986. Warrantholders who require further information should contact BZW Sale

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FINANCIAL TIMES

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London, 17 & 18 June 1996

1996 is a critical year for the world aluminium sector. This conference will bring together many of the industry's leaders - and its customers - to address the key issues that will affect their ability to maximise the opportunities presented by globalisation.

INDUSTRY LEADERS WILL EXAMINE THE KEY ISSUES:

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- at Home and Overseas
- Price Outlook for Aluminium
- Restructuring the Aluminium Industry in the CIS
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 - Satisfying the Automotive Customer's Demands Developing the Next Generation of Aircraft

Future Sources of Cheap Power and Their Impact on

- What Role will Aluminium Play?
- Growing the Market in Aluminium for Railway Rolling Stock and Bus Construction

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Mr Ronald R Thoma Executive Vice President Procurement & Traffic Crown Cork & Seal Company Inc

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Mr Alan Bekhor Managing Director Transworld Metals Limited

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Mr Jochen Schirner Chairman of the Board VAW aluminium AG Mr Phil Thaure

President, Alumax International Vice President, Alumax Inc

Mr Gerald C Janicki Director of Advanced Systems & Technology McDonnell Douglas Aerospace

Mr Kurt Wolfensberger Read of Aluminium Division Member of the Executive Committee

Alusiusse-Lonza Holding AG The organisess reserve the right to after the programme as may be necessary.

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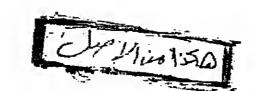
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COMMODITIES AND AGRICULTURE

Gold shares attract Far East buyers | Australian minister pins wool | BSE 'to

By Kenneth Gooding, Mining Correspondent

Section 6

The last was

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467.8m

Gold hugs in the Far East are at last begining to buy shares in gold mining companies as well as the precious metal itself, according to Mr Graham Birch of Mercury Asset Management which manages £1.6hn in specialist mining and

metals funds. This would have important consequences both for share prices and for the hedging practices of the gold mining groups, he suggested yesterday during a seminar organised by the London Bullion Market

Mr Birch cited the example of the Japanese, who had traditionally never been interested in gold companies in spite of their affection for the physical metal. However, the Mercury Gold Metal Open Fund. launched by his organisation

and Nomura, the Japanese bank, in February last year, had so far attracted the equivalent of US\$650m. Other funds had been set up in Japan so that very soon the total invested in gold companies there would reach \$1bo.

He argued: "The only reason people in the Far East are buying gold shares is because of the gearing that gives them to any rise in the gold price. So they will buy shares only in companies that have done little hedging so that they can realise the full potential of any

Mr Birch pointed out that the gold shares market was n very small one - the total market capitalisation of all gold mining companies was only about US\$50bn

The search by Far Eastern investors for companies that had not hedged future produc-

market in the shares to evolve. He suggested this would alter the cost of capital available to the gold mining industry.
"Those that don't hedge will flud it cheaper to raise equity for new mining ventures.'
That might lead to the indus

try indulging in far less bedg-

ing and, he insisted, that

would be good for the gold

orice.

Although at first sight it appeared that central banks and other official organisations had about 35,000 tonnes of gold in their vaults ready to provide liquidity to the physical market, in reality there was only about 3,500 tonnes, Mr Stewart Murray, managing director of the Gold Fields Minerals Services consultancy group.

suggested at the seminar.
According to GFMS's calculations, the official sector had provided about 90 per cent

2,400 tonnes. This was only 7 per cent of total official sector reserves but only a relatively few cen-

tral banks were "active mobi-lisers" of the gold in their reserves. These hanks had 12,000 tonnes in their vaults. This suggested 31 per cent of the available central bank gold hnd been made available last

Mr Murray said the liquidity picture was even less reassuring when it was realised that developing country banks were the most active lenders to the market and some 40 per cent of their reserves had been lent last year. So, "only about 10 per cent of official gold reserves (that is 3,500 tonnes) come into the easily mobilised

category. "Potential liquidity is still large but in practice it may be

industry hopes on price rise

By Nikki Tait in Sydney

Representatives of Australia's troubled wool industry yester-day agreed to continue with the fixed schedule for sales of stockpiled wool until the middle of 1997.

But, after a "crisis" meeting with industry officials in Can-berra, Mr John Anderson, the new federal primary industries minister, acknowledged that the industry was heading for "collapse" if there was no improvement in returns for growers. He said that the meeting had agreed that a price of A\$6.10 (\$4.70) a kilogram was the minimum needed for growers to cover basic costs.

The "eastern indicator" price is currently just under A\$5.90 a

"I think you will see a seri-

ous collapsing if we don't see an improvement in prices over the next six months," Mr Anderson said, although he added that he was hopeful of A\$6 cents in the next 12

months. "We're not promising anything dramatic . . but there is a broad view that at some stage over the next 18 months or so we will see a substantial price spike," be commented. The decision to continue the fixed release scheme, which sees Wool International - the statutory body charged with disposing of the wool stockpile - sell regularly into the market, reflected a "total accep-

tance that there was no going back", said Mr Anderson, The stockpile, which was

stands at about 2.36m bales or about half its peak level. However, many growers have complained that WI's steady compounded price problems.

There has been particular anxiety over WI's practice of selling forward. However, Mr Anderson claimed that yesterday's meeting recognised that "there were good reasons for maintaining Wool International's approach of selling as far forward as possible 10 avoid being placed in the position of having to sell large amounts of stock at the end of any particular quarter"

He added that there would be a further round table meet-ing, to consider how to handle the situation after the middle built up under the previous

the UK Shellfish Association not to

import French seed and, to date,

have not suffered any untoward

mortalities, even with last year's hot

Mr Abrahams, who imports his

seed from the Channel Islands, met

his latest orders - with help from

other islanders - and has been asked

to supply as many oysters as he can over the next two months. Smaller

oyster growers, with extensive, low

density production are feeling the

pressure, nevertbeless, of the

increasingly erratic, just in-time

ordering policy of the supermarkets.

The downward pressure on prices is

Yet high density, intensive oyster

production seems most likely to be a

factor in the spread of disease. That

boost EU cereals demand'

By Deborah Haroresver

Demand for cereals across the European Union could increase by up to 1.4m tonnes because of the switch away from beef to other meats as a result of the crisis over bovine spongiform encephalopathy, according to initial research findings by Produce Studies Group, a food

consultancy.
The group expects long-term shift towards greater consumption of pigmeat increasing the need for cereals as feed at a time when stocks are at the lowest point since the second world war.

Mr Tony Houghton, project manager, stressed that the full results of the group's economic model would not be available until June but said "it certainly suggests that, for some, there may well be a silver lining [for cereal farmers] to the

The group's model is based on changing consumption patterns in line with rising and falling prices. "Some of these trends were in place before the BSE crisis and it just accelerated them. For example, red meat consumption in Germany has been dropping for some time." Mr Houghton said.

The findings indicate that beef consumption, which dropped by up to 50 per cent in some parts of the EU, will eventually settle down at 15 per cent below pre-crisis levels. This would have the effect of boosting non-beef meat consumption by 1m tonnes across the EU.

In the EU as a whole, pigmeat would be the biggest beneficiary of the drop in beef sales with an increase of almost twice that of poultry. In the UK, however, the situation is reversed, with poultry sales expected to rise by 70,000 tonnes and pork by 40,000 tonnes. Produce Studies expects mutton and lamb consumption to rise by 20,000

Europe's oyster farmers hope for calmer waters

Alastair Guild on an industry that is having to contend with fickle weather, erratic buyers and, now, a mystery disease

ehridean oyster farmer Andrew Abrahams looks wistfully out of his kitchen window at the notoriously fickle Western Isles weather as it unfolds across the sound. He has just received two telephoned orders for a total of 50,000 oysters to be met within the following 10 days, one of his largest single orders in 20 years

of oyster farming. What Mr Abrahams most needs now is a settled period of high pressure and winds from the north. With the spring tide in his favour he could be confident of collecting and grading - for shape and size - that order from the estuary bed. All the indications, however, point to a period of low pressure and southerly winds.

Mr Abrahams knows that, after several winter months without a sale and given the increasingly international nature of the business, this is an order he can ill afford to miss, whatever the weather. Thousands of oysters that he laid

down three years ago will very soon be embarking on a new season of rapid growth, making them too large to meet the supermarkets' exacting

COMMODITIES PRICES

grading standards. A satisfied customer this time would surely lead to repeat orders, enabling him to at least recover his investment in this mature stock.

The company buying from bim will itself have supermarket deadlines to meet. Let down once, it would almost certainly go elsewhere the next time, possibly to Ireland. Though unable to beat Hehridean oysters on quality, Irish growers increasingly have the volume.

World production of rock oysters (crossostrea gigas) last year totalled 862,000 tonnes - a tonne represents between 12,000 and 14,000 oysters, depending on grade). Korea and Japan are the largest producers, with 280,000 tonnes and 235,000 tonnes a year respectively. These are sold mostly in Asia. The European market is dominated by France, the world's third largest producer with 130,000 tonnes a year.

There are 1,000 farms involved in oyster and mussel production in France, employing 10,000 people. With the spread of disease some years ago, French production of the now premium-priced "native" flat ovsters has fallen dramatically from 15,000 tounes to just 2,000, with French producers switching almost entirely to growing ruck, known also as Pacific, oysters

tonnes of rock oysters, amounting to

consumed during December. This bas bad a significant impact on exports to France. In the longer term, as the majority

The UK currently produces 1,000 of French consumers of oysters are now in their 40s and 50s, the French

A herpes-like virus is causing concern about French seed stocks

a saleable production of 10m oysters. There has been a large increase along the Irish coast, where producbon of rock oysters began in 1973 and reached 2,000 tonnes last year. There are at present some 200 farms in production in Ireland.

Growth in French rock oyster production appears to have halted, however. The present domestic market -France consumes over 90 per cent of the oysters it produces - is thought to have reached saturation. The nation-wide transport strike in France around Christmas last year left an enormous glut of French oysters that is only now clearing - in

GRAINS AND OIL SEEDS

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WHEAT LCE (5 per torms)

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industry would be content to main tain consumption at present levels. It has a public education campaign aimed at attracting younger consumers and is developing easier ways for

the consumer to open an oyster. Prices for rock oysters have been falling, to as low as £400 a tonne landed in France last winter, a fall attributed to the strike, the general recession in France and the trend towards the supermarket trade. which is looking for smaller oysters, A more serious constraint on French expansion is the limited amount of suitable growing space on the coast. Oysters already face over-

M COCCA LCE (C/tonne)

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■ COCOA CSCE (10 tornes; \$/tornes)

■ COCOA (ICCO) (SDR's/tonne)

E COFFEE LCE SAOTOR

No.

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SUGAR "11" CSCE (112,000lbs; cents/bs)

COTTON NYCE (50,000ths; cents/fbs)

ORANGE JUICE NYCE (15,000lbs; certs/bs)

COFFEE (ICO) (US certs/pound)

WHITE SUGAR LCE (\$/torne)

Sett Negr's prios change Wigh Low Yol

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4,800 95,832

Phys. 603 1069.67

France 50 per cent of oysters are crowding, competition in some areas and high temperatures, they say, are part of the problem. with mussels and in others with sprats for phytoplankton. UK growers have been advised by

summer.

France has been a major supplier of seed, along with hatcheries in the UK and the Channel Islands, Last year Ireland alone was thought likely to import some 100m seed oysters this year to meet a projected growth in production to 5,000 tonnes. Now the identification of a herpeslike virus has prompted public accusations from shellfish experts across Europe about the health status of some giggs stocks in France.

The French first reported mortalities in 1994 on the Brittany coast. Soon afterwards, the Portuguese, Spanish and Dutch growers described heavy casualties among oysters originating from imported French stock. The Irish authorities advised growers to exercise caution in the selection of juvenile systems for on-growing, but Ireland is now reporting deaths of gigas also.

No definitive scientific link has yet been established between deaths of French oysters and the virus. The French authorities admit there is a possible link, though overcrowding

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000bs; contents)

LIVE HOGS CIVE (40,000bs; cards/los)

PORK BELLES CME (40,000bs; cents/bs)

84.550 81.850

79,350 80,000 82,150

Strike price \$ toone

IN ALLIMINETAL

■ COPPER

COCOA LCE

1500...

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LONDON TRADED OPTIONS

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is the irony, says Mr Abrahams.

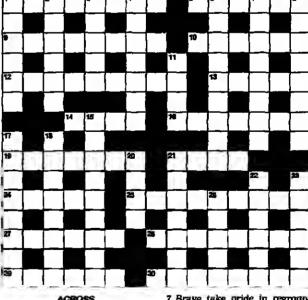
The Shellfish Association of Great Britain holds its annual conference at Fishmongers Holl in London next Tuesday and Wednesday, Information from the association's director. Tel: 0171 283 8305.

JOTTER PAD

The solution is HP Computer Systems.

CROSSWORD

No.9,071 Set by HIGHLANDER



1 Most likely for infant left

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DOWN

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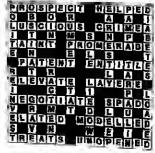
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14 Demonstrate how second is 20 Fish-eating mammal is close

21 A difficult situation - hun-dreds in Rome drunk (7) 22 Put a stop to cricket practice in Greater London (6) 23 50% of baby talk is a perfect 24 Makes Flat odds? (5)
25 Go with current theatre group
26 Take off with cold Bohemian

seamstress in the front (5) Solution 9,070



BASE METALS Precious Metals continued GOLD COMEX (100 Troy oz.; \$Aroy oz.) LONDON METAL EXCHANGE (Prices from Amalgameted Metal Trading) M ALLMANIUM, 99.7 PURITY (S per torms) 1611-12 1634.5-35 1629-30 215,961 36,354 Open int. Total delly tumover III ALLIMINIUM ALLOY IS per tonn 1335-45 1340-43 AM Official 5,326 1,882 Open int. Total daily turnover ■ LEAD (6 per tonne) Close Previous High/low AM Official 845.5-6.5 Kerb close 35,557 5,162 MICKEL (5 per tonne) 8060-85 8155-60 8190/8065 8105-15 801Q-15 42,152 12,049 Open Int. Total daily turnover TRY (5 per tonne) Cices Previous High/low 'AM Official Kerb close 6510/6350 6490-500 18,533 5,131 ZINC, special high grade S per torme 1074.5-TS 1074-74.5 High/low 8.234 M COPPER, grade A (5 per tonne) 2649-50 2657-58 2662/2641 66.01T Sport, 1.5135 3 million, 1.5113 6 million, 1.5094 9 million; 1.5079 126.05 -0.18 129.00 127.50 126.05 -0.18 126.50 126.00 123.65 - 124.50 123.30 121.45 +0.05 121.60 121.50 119.25 +0.10 118.70 118.90 117.65 +0.10 -PRECIOUS METALS III LONDON BULLION MARKET (Prices supplied by N M Rothschild 392.40-392.90 392.00

Loco Ldn Mean Gold Lending Rates (Vs USS)

\$ price 391-394

537.50 543.80 550.40

583.95

392.5 393.5 395.0 - 393,6 382,4 22,139 75,527 +0.1 398.8 386.5 8,389 36,291 +0.2 399.0 398.0 299 5,897 +0.2 402.3 400.9 2,151 32,889 PLATINUM NYMEX (50 Troy oz.; S/troy oz.) WHEAT COT (5,000bu min; coms/60%) businely -2.4 406.0 404.2 1,930 19,476 -2.4 408.5 407.0 389 4,650 -2.4 - 8 993 -2.4 - 2 1,408 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 134.50 -1.60 134.75 133.50 1,025 4,625 135.65 -1.65 135.75 134.65 509 4,002 MAKE CBT (5,000 bu mire cents/56% bushet) SELVER COMEX (5,000 Tray oz.; Cente/tray oz.) -3.4 \$95.0 \$33.0 192 215 -3.5 - - - J -3.5 \$42.0 \$36.8 6,705 66.291 -3.4 \$65.5 \$41.5 252 14,527 -3.3 \$53.5 \$49.8 125 98.24 -3.1 \$58.5 \$58.5 7 3,566 8,201 \$95.547 BARLEY LCE (E per torne) **ENERGY** 21.51 20.47 19.67 20.30 34,663 59,337 19.32 33,997 87,993 18.82 7,218 56,551 SOYABEAN OIL CBT (60,000)cs: Oprits/fb) 19.04 18.30 5,292 37,464 18.56 18.20 2,673 22,009 18.45 18.00 524 16,392 18.20 2,672 22,009 18.00 524 16,992 162,499 439,859 CRUDE OIL IPE (\$/barrel) Latest Day's price change 17.28 4,070 25,774 17.18 -0.43 17.47 17.08 799 12.235 17.02 -0.37 17.25 16.90 501 8.216 17.07 -0.15 17.07 17.07 415 5.099 33,250 192,065 HEATING OIL NYMEX (42,000 US galls; DAS galls.) Day's Chart Uni int -2.75 165.25 162.50 6.265 15.024 M NATURAL GAS KYMEX (10,000 stmBtu; \$/mmBbs;)

SOYABEAN MEAL CRT (100 tons: \$/ton) POTATOES LCE (E/forms) Jun Hov Hor Apr Hay Total вЯ | Latest | Dey's | price | change | High | Low |
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2.270	+0.008	2.295	
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The sharpest rise in Australian wool prices for 5 years on May 15 took many traders by surpise. There is still uncertainty about how firmly based the rocovary is and buyers further down the line are reluctant to follow. Merchants and sirly processors are also not keen to self at any likely offered prices. Selfers are more concerned with continuity of supply as the season draws to a close. Wool International has recently sold more stackple wool and its own phong is a good deal firmer. There are no Australian asies ned week. The Bradford auction of Schillish work are conditional formation. -3.39 67.20 63.50 15.877 29.480 -2.70 6440 65.00 6.887 19.478 -2.10 87.15 68.90 1.813 14,729 -1.45 58.50 57.00 5520 3.746 -0.25 55.50 55.50 1 1,906 -1.00 53.20 52.90 57 1,045

VOLUME DATA INDICES REUTERS (Base: 18/9/31=100) ■ CRB Futures (Base: 1967=100) May 14 month ago 260.22 256.44 May 15 260.19 ■ GSCI Spot (Base: 1970=100)

118.90 +2.45 120.85 117.20 2.414 12.327 119.25 +1.66 120.20 117.20 804 4.909 118.50 +1.20 117.50 175.75 113 1.277 VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT.
NYCE, CME and CSCE are one day in zeroes.
Volume & Open Interest totals are for all traded. May 15 month ago 2147.7 2111.D

May 14 month ago 210.74 213.40

11 05 +0.12 11.05 10.85 \$1.534 55.983 10.86 +0.07 10.57 10.59 3,172 38,225 10.70 +0.08 10.70 18.50 2,168 27,233 10.88 +0.09 10.54 10.57 573 8,009 10.86 +0.09 10.57 207 4,057 10.80 +0.09 1851 10.45 118 1,509 10.57 207 4,057 10.80 +0.09 1851 10.45 118 1,509 10.57 207 4,057 10.80 +0.09 1851 10.45 118 1,509 118 10.57 207 4,057 10.80 +0.09 1851 10.45 118 1,509 118 10.57 208 118 10.5 LONDON SPOT MARKETS ■ CRUDE Oil FOB (per barrel) \$15.20-5.28x \$18.52-8.58 \$17.87-7.90 \$19.55-9.58x M OIL PRODUCTS NWE prompt delivery CIF (tonne) 81.05 -1.44 82.30 80.95 4,084 22.308 81.05 -1.33 82.10 80.90 330 4,004 80.57 -1.25 61.50 80.50 1,682 27,698 81.53 -1.17 82.65 81.50 19 3,334 82.18 -1.25 82.00 82.10 6 1,540 82.43 -1.32 82.60 82.40 - 835 \$173-175 \$100-102 \$187-189 \$188-180 \$175-178 6,126 12,729 MATURAL GAS (Perce/therm) Pheroleum Arpus, Tel. Gold (per troy oz) Sever (per troy oz) Pistrikm (per troy oz.) Pallodium (per troy oz.) \$132.25 Copper Lead (US prod.) Tin (Kuste Lumpur) Tin (New York) 134.0c 45.00c 15.93r 304.50 Cattle (tive weight) Sheep (tive weight) Pigs (tive weight) Lon. day sugar (awn) Lon. day sugar (wite) Barley (Eng. feed) Matza (US No3 Yellow) Wheat (US Dark North) \$286.8 \$399.5 114.40 Unq Unq 102.50p 102.50p 376.50m Coconut Oil (Philips Petro Oil (Maley.)§ Copra (Philips Soyabeans (US) 800.0v

cigars (7)
21 Not many heard exclamation

(9) 27 Objects to device which has 28 Angry old bird (8) 29 Taste can be expressed in a range of colours (6) 30 Brought up in Spain, cut dead originally (8)

A graduate on foot; sailor's behind (5) 4 Fortune won back using capi-

PROSPECT MELPED O B O R A A P LUSCHOUS CRIMEA I I N M S N P B TAINT PROMERADE

INTERNATIONAL CAPITAL MARKETS

Treasuries slip on FOMC nervousness

By Lisa Bransten in New York and Semer Iskandar and Antonia Sharpe in London

US Treasury prices gave back some of their recent gains in early trading yesterday, amid nervousness ahead of next week's meeting of the Federal Reserve's Open Market

Near midday, the benchmark 30-year Treasury was off % at 88% to yield 6.899 per cent, while at the short end of the maturity spectrum, the twoyear note slipped & to 99%, yielding 6.045 per cent. The June bond future fell 🍰 to 109. The curve that maps the

yield spread between two-year notes and the long bond held steady at 85 basis points in early trading. Few on Wall Street believe

the Fed will change monetary policy at next week's FOMC meeting, but Mr Woody Jay, head of global government

With most of Europe closed for

national holidays yesterday,

light of day in a torpid euro-

Merrill Lynch, the US invest-

ment bank, issued £100m of

five year floating rate notes

yielding 24 basis points over Libor et the re-offer price. In

late trading, the spread had

narrowed to 23 basis points

due to strong investor demand, lead manager Merrill Lynch

The deal was supported by a

large lead order, but also saw

strong bids from other inves-

tors, mainly UK banks, a syn-

dicate official at the lead man-

"There is still very strong

BENCHMARK GOVERNMENT BONDS

BOND FUTURES AND OPTIONS

Sett price Change 123.20 -0.22 121.74 -0.22 120.48 -0.22

 Open
 Sett price
 Change
 High

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UK GILTS PRICES

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INTERNATIONAL

By Conner Middelmann

bond market.

BONDS

Australia Austria Belgium Canada Denmar France

bond trading at Lehman Brothers, said there was con-cern that the Fed might release a statement after Tuesday's meeting suggesting it had changed from a neutral stance on monetary policy to a bias toward tightening. Mr Jay said the market was

also consolidating after the strong gains made since late last week. "I think the market's going to take a breather and get a little nervous about what comes out of the Fed The market was also pres-

sured by new supply of corpo-rate bonds, including Lockheed Martin's sale of \$3.5bn debt across the maturity spectrum, marking the largest investment grade offering ever.

Treasuries were lower in overnight trading and showed little reaction to yesterday's data, which were mixed. Non-farm productivity jumped 2.6 per cent in the first quarter,

interest in spread product, and the sterling market is starved of supply," he said. In yield

terms, the notes compare

favourably with paper issued by UK building societies with

similar credit ratings, which

trade at single-digit yield

spreads over Libor, he added.

Elsewhere, Abbey National

returned to the public euroyen

market after a two-year

absence with a Y30bn issue of

three-year, 2.1 per cent bonds.

According to lead manager

Daiwa Europe, the paper saw strong demand from Japanese

helping ease fears that recent signs of economic strength will lead to inflationary pressures. But new housing construction jumped to 1.5m units last month and the Federal Reserve Bank of Philadelphia's survey of the business outlook for May showed that manufacturers are experiencing increases in some input prices.

GOVERNMENT BONDS

■ UK gilts closed marginally higher. Liffe's June long gilt future settled at 106%, up 1. In the cash market, the 7% per cent gilt due 2006 ended the day at 96%, up & Data released yesterday revealed that the retail price index had grown by 2.4 per cent in the 12 months to April. Although the market reacted positively to the data, economists at ABN Amro Hoare Govett found the statis-

Strong demand for Merrill Lynch FRN issue

Abbey Nati Tray Services(str)

the market soon, with Colom-

bia launching an international

roadshow yesterday for its

Final terms, non-callable unless stated. Yield spread (over relevant Floating-rate note. \$Convertible. R: fixed n-offer price; tess show 10-15%. Callable from 30/5/96 at per with four years of 130% Greenshoe; 15%. b) 3-mit Libor +20bp. s) Short 1st coupon.

tics "slightly disappointing" and warned of potential signs of "a gradual intensification of inflationary pressures".

■ Italian bonds were boosted by optimism on the political front and a strengthening of the Lira against the D-Mark. Liffe's June BTP future settled at 114.73, up 0.32, after reaching a high of 114.84.

■ Spanish bonds snded slightly weaker than Tuesday but well off their lows. The June bono future closed at 98.51, down 0.06 bnt up 0.26 point from its opening level.

■ The French and German markets were closed, but futures contracts were traded. Matif's June notional future ended a truncated session on Globex at 123.02, down 0.18. Bund futures were traded on Liffe, where the June contract

settled at 96.55, down 0.07.

NEW INTERNATIONAL BOND ISSUES

100.0375 Dec 1999 0.1875

default on its debt during the

Venezuela is also limbering

1970s and 1980s.

■ Japanese government bonds were subject to profit-taking in thin trading following Wednes-day's gains sparked by remarks by the Bank of Japan governor that there was no need to raise short-term interest rates. The profit-taking caused the yield on the benchmark No 182 10-year government bond to rise to about 3.33 per cent in London trading

from 3.28 per cent at the close of Japanese trading yesterday.

A delay in raising interest rates also helped the three month euro-yen contract which rebounded from a low of 98.37 earlier in the week to 98.75 yesterday but again in thin

Mr Kirit Shah chief market strategist at Sanwa International in London, said the governor's comments had revived sentiment in the JGB market but he cautioned that in the long term, rates would have to

After issuing two \$200m

Asian-targeted dragon bonds

listings and launch - with

pean retail placement and

Euro-Asian bonds marry

121.22 145.33 160.57

0.02 0.04 0.03

larger size.

Up to 5 years (23)

5-15 years (19) Over 15 years (9) (redeemables (5) All stocks (57)

US banks 'biggest users of derivatives'

By Richard Lapper

The extent to which large US companies are making use of derivatives is highlighted in a Risk Magazine in association with Price Waterbouse, the accountancy furn.

According to the handbook the notional principal of deriv-atives positions held by companies to the S&P 500 index amounted to \$19,000bn in 1994. Financial companies such as

banks are by far the bigges users of derivatives, account ing for 98 per cent of this notional amount a figure which is used to calculate cash flows and does not measure market value or the credit risk of the transactions. By contrast, non-financial companies beld positions equal to a notional principal of \$476bn. Ford Motor was the largest

industrial company using derivatives, with a notional principal of \$66.4bn in derivatives on its books, including \$53.8bo to interest rate swaps. Other large non-financial companies using derivatives included General Electric. General Motors, IBM and ITT. Chemical Bank was the largest financial company, with notional principal of \$3,200bn followed by Clticorp with \$2,700hm.

Interest-rate swaps were the most popular contracts, accounting for 23 per cent of the outstandings of financial groups and 40 per cent for non-financial companies.

Of the S&P 500 companies 371 disclosed information about derivatives in their 1994 annual reports.

The Corporate Risk Manage ment Handbook, Risk Publications in association with Price Waterhouse LLP, April 1996. £199/\$349. 104-112, Marylebone Lane, London WIM 5FU

1.47 3.90

Up to 5 yrs

Bunder Low: 0%-7'4%: Medium: 8%-10%%: High: 11% and over, 1 Flat yield, yid Year to date

Decree clears way for privatisation of Milan SE

By Andrew Hill

The Milan stock exchange will become a self-regulating joint stock company, owned by financial intermediaries, under the terms of a new decree approved this week by tha Italian government.

The decree, approved by the outgoing government of Mr Lamherto Dini late on Wednesday night, implements the European Union's investment services directive, which gives banks and securities houses the right to trade in other countries' stock markets.

The law has been under discussion for months, and there were fears that further delay - exacerbated by the legislative hiatus of last month's elections - would leave Italy lagging behind competing European atock

Mr Giangiacomo Nardozzi, director of tha financial markets study group of IRS, a Milan based research institute, welcomed the decree.

He said it would do away with old-style management and regulation of the market by the public sector, and introduce a more flexible self-regulatory

Stock market operators said vesterday they did not expect the decree to change the way they worked. Under the old rules - which

were condemned by Brussels as discriminatory – foreign banks and brokers were obliged to set np a local Società di Intermediazione Mobiliare (SIM) if they wanted to trade on Italian equity markets and sell Italian securities to

ordinary investors. The new decree, which has been dubbed the Eurosim law, will do away with that

2.68

But most foreign securities houses have already set un SIMs, or linked up with existing Italian brokers.

MARKETS R

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RUSS HATE

EXCHANGE C

The Eurosim decree gives many regulatory functions which are currently exercised hy Consob, the financial markets watchdog, to the privatised stock exchange including the power to admit snepend or revoke the authorisation of individual. oparators or financial instruments.

Consob will retain an overall supervisory role, but it will be able to intervene on regulated markets only if it thinks certain general principles have Mr Nardozzi said he believed

the existing stock exchange council, which already. includes representatives of hanks and brokers, would easily convert to the new disciplines of running a privatised exchange. Privatisation is expected to

complete the modernisation of the stock exchange, but the market is still hampered by problems of illiquidity, lack of transparency, and the reluctance of Italy's dynamic family-owned companies to seek a listing for their shares.

Mr Carlo Maria Mascheroni, chief executive of Azimut Gestione Fondi, an Italian fund management company, said the new decree was mainly 6 regulatory measure.

It was more important for market regulators to put quoted companies under pressure to provide more and clearer information to shareholders.

We need stronger action, a different framework of rules [for quoted companies] and much more courage on the part of individual market players to implement them," said Mr Mascheroni yesterday.

7.65 8.34 8.38

8,68 8,68 8,66

8.83 8.90 8.81

— Low coupon yield — — Medium coupon yield — — High coupon yield — May 18 May 15 Yr. ago May 16 May 15 Yr. ago May 16 May 16 Yr. ago

regional and local institutions. up for its long-awaited D-Mark plans to make the next issue a forthcoming \$300m five-year In the domestic yen market, bond - its first dollar-denomiissue, a DM700m offering so-called euro-Asian bond, nated eurobond after three yankee issues and a D-Mark combining elements of a dragon bond - such as Asian Mexico issued a Y100hn 10-year which is expected to surface in samurai bond with a 6.75 per the next few weeks, via cent coupon. The proceeds are eurobond. Salomon Brothers expected to be used to refinand SBC Warburg will act as Meanwhile, Ford Motor eurobond features like Euroance most of the \$1.5bn dual joint leads for the offering. Credit is holding an interna-Cetes-Libor note issued by Colombia is one of only two tional investor roadshow in Mexico in December 1995, investment-grade rated Latin preparation of a bond issue of the best of dragon bonds and eurobonds," a syndicate official which matures next November. American borrowers (the other at least \$750m, expected in two weeks via joint leads Merrill Other Latin American boris Chile), and the only country rowers are waiting to access in the region that did not Lynch and Lehman Brothers. at one of the leads said. FT-ACTUARIES FIXED INTEREST INDICES **BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%** Week Month Price Indices UK Gitts 0,0000 - 0,00 106,7900 -0,140 7,73 0,0000 - 0,00 0,0000 - 0,00 0,0000 - 0,00 0,0000 - 0,00 102,4900 -0,010 7,63 102,4900 -0,010 7,63 M NOTICEAL ITALIAN GOYT, BOND (BTP) FUTURES (LIFFE) Line 200m 100ths of 100% 6 Up to 5 years (1) 7 Over 5 years (11) 8 All stocks (12) -0.010 7.63 -0.150 9.57† +0.550 2.41 +0.140 3.32 - 0.00 +0.020 9.05 -0.560 9.20 Sett price Change 114.31 113.70 114.78 114.08 +0.32 114.84 114.10 III ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) LH200m 100ths of 100% CALLS -7.43 8.08 8.16 6.31 6.64 7.04 7.49 8.14 8.24 6.77 7.00 8.97 11450 11500 11550 High 98.76 98.03 96.26 97.94 Jun Sep UK Treesury Bills and Bond Yields 5.02 Two year 5.09 Three year 5.14 Pre year 5.31 10-year 5.58 30-year Open Sett price Change High Low Jun 106-05 108-07 +0-02 108-08 105-30 Sep 105-06 105-07 +0-02 105-08 104-30 III LONG GILT FUTURIES OPTIONS (LIFTE) \$50,000 64ths of 100% Est vol. Open int. 90,083 161,117 4,072 12,461 2,959 6,294 M 2CU BOND FUTURES (MATIF) ECU100,000 (May 15) 123,16 121.74 120.48 Low Est, vol. Open int. ELONG TERM FRENCH BOND OPTIONS (MATIF) (May 15) 0.48 0.88 Open Latest Change 109-19 109-00 -0-16 108-31 108-15 -0-18 108-14 107-30 -0-18 High 109-19 108-31 106-14 Low 108-31 108-14 107-30 Est. vol. Open int. 239,809 353,608 5,291 45,965 826 7,410 M NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% 96.37 95.50 Est. vol. Open int. 46119 170701 953 Tress 8 1₂5c 2005t‡ Tress 71₈5c 2005t‡ Tress 72₈5c 2005t‡ Tress 65c 2002-6‡ Tress 65c 2002-6‡ Tress 81₂5c 2007 ‡ Tress 81₂5c 2007 ‡ Tress 80c 2009 Tress 81/45c 2010 8.00 103.3 6.03 867, 8.07 973, 8.08 993, 7.92 1193, 8.11 1025, 7.98 1313, 8.14 10612, 6.10 983, 8.24 834,24 +☆ 108월 99월 1 +☆ 107월 94월 - 103½ 94월 - ☆ 104월 94월 - ☆ 108월 125월 117월 +☆ 108월 225 +☆ 138월 125 -☆ 128월 100½ -값 128월 100½ -값 104½ 95¼ +값 88월 80点 8.24 7.80 7.94 8.03 9.84 8.28 10.26 8.45 8.12 7.51

Other Fixed Interest

Anian Dev 101-gpc 2000.

Films 111-gpc 2012

Instant Cap 81-gpc 110.

Spc Cap 1966.

13pc 597-2

Hydro Quobiec 15pc 2011.
Lends 131-gpc 2006.

Liverpool 39-gpc ind.

1.0C 5pc '20 Aft.

Manchester 111-gpc 2007

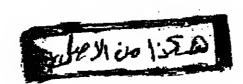
Manchester 111-gpc 2007

Manchester 112-gpc 2008

Manchester 112-gpc 2008

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PAY MAY 17 16

CURRENCIES AND MONEY

MARKETS REPORT

Swiss franc falls during quiet trading session

The fall in the Swiss franc was the coain feature of a quiet trading day, with many mar-kets closed for Ascension Day. Only the UK, Italy. Spain and Portugal were open in Europe. There were no fresh develop-

ments to explain the weakness of the franc, whose fall was reminiscent of the sharp drop in sterling on May Day wheo. Loodoo was again the ooly leading European ceotre open for trade.

The franc closed in Loodoo at SFr1.2588 against the dollar. from SFr1.2535. Earlier in the day it had reached a 15 month intra-day low of SFr1.2620. The franc was also weaker

against the D-Mark, which finished the day buying 81.9 centimes, from 81.7 The dollar was little changed against the D-Mark, at DM1.5368, from DM1.5341. Against the yeo it finished at Y106.655, from Y106.855.

made an unsuccessful attempt to break a 40 counth high of SKr4.3330, before finishing at SKr4.404 against the D-Mark. Sterling had an uneventful day, finishing at DM2.3231, from DM2.3212, and at \$1.5117, from \$t.5131.

■ The further weakness in the Swiss franc came as little surprise. Analysts for some time have been describing it as the most overvalued currency io

Mr Paul Chertkow, head of global currency strategy at UBS in Loodoo said it bad beeo obvious that the Swiss economy needed lower interest rates to pull it out of recession. Like the German economy, receot evideoce suggested it

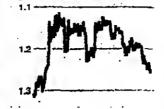
Posts	d in New Yor	t .
May 18	- intest	- Prev. close
£ 200f	1.5145	1.5130
1 man	1.5139	1.5122
3 m#n	1.5123	1 5106
1 12	1 5075	1 5052

Mr Chertkow said one reason for the weaker franc was that the market had overcome the fear that the D-Mark would be replaced by a significantly weaker Euro, and hence there was less case for safe-haven flows into the franc. "The forces that have been boosting

the swiss franc are unwind-

ing," he said. Goldman Sachs had revised its franc forecasts more negatively earlier in the week. The forecast is for SFr0.88 against the D-Mark, and SFr1.41 against the dollar, in six coooths. The bank cited two to their calculation of fair value (SFr0.96); and growing public comments from Swiss officials concerning the daooage being done to the econ-

Last Friday Swiss governcoeot advisers called oo the ceotral back to pay coore attention to currency rates in



■ The Swiss franc has teoded to serve as the hellwether dollar curreocy - its treod against the franc is likely to be repeated more gen-

One curious feature of the markets is that although the dollar is at a high for the year against the Swiss franc and D-Mark, implied volatility in the options market is at its

DOLLAR SPOT FORWARD AGAINST THE DO

lowest level since the late rally as far as DM1.60, perhaps DM1.70.

The coessage is that market participants feel very little need to insure against the risk of currency volatitity. Often when currencies are at the edge of their trading range, this is the prelude for a sharp coove, which would be accompanied by rising expectations of volatility.
Mr John Wareham, bead of

global foreign exchange marketing at Merrill Lynch in Lon-don, said that SFr1.25 was historically a "massively unstable Whatever puzzles the options

market is throwing up, the positive relationship between dollar/D-Mark, and the ten year treasuries/hund spread, has been striking. Giveo this, and the expectation that stronger US growth will probably cause the gap to wideo further, Mr Mike Roseoberg, head of bond and currency research at Merrill Lynch in New York, is fore-casting that the dollar wilt

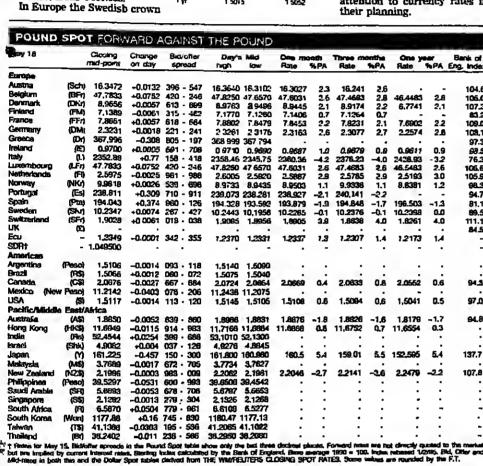
The ven's recent rally against the D-Mark has taken a hackseat over the past few days to the dollar's improved performance against the yen, helped by comments from cen-trat bank and finance ministry officials in Japan.

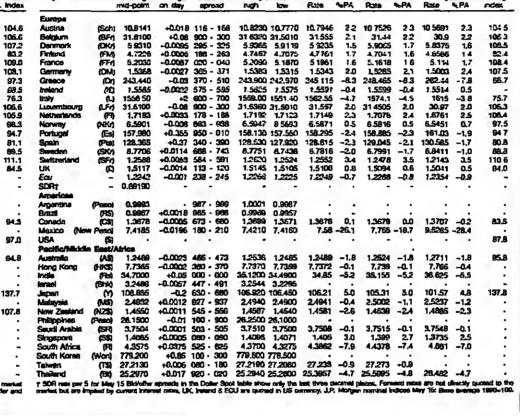
This chimes with analysis from Mr Ravi Bulchandani, economist at Morgan Stanley in New York that it is the dollar that is the BOJ's chief coocern. He argues that "the BOJ probably has a wider range of tolerance for a strong yeo against the D-Mark, as long as the dollar does oot fall or, even hetter, continues to rise against the ven."

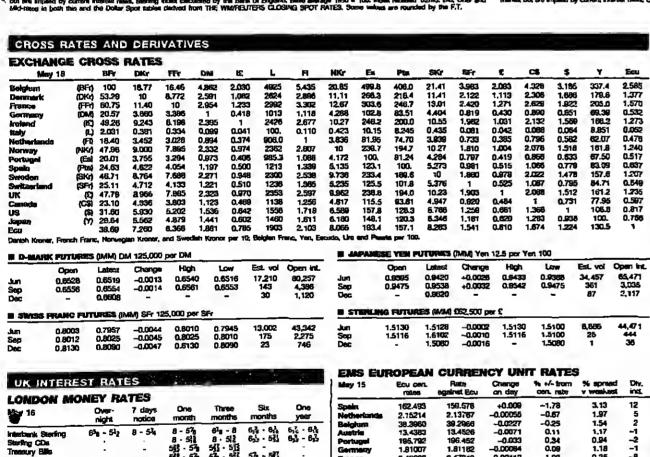
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	224 977 - 225 15	

- 27.5829 - 143.919 - 3000.40 - 6.3035 - 2.6730

	1.31-101-	SIR	11.			_	_	
MONEY F	RATES							
May 18	Over night	One month	Three	Six	One		Die. rate	Repo
Beiglum	3:5	314	314	3%	34	7.00	2,50	
week ago	32	314	33	3.5	3%	7.00	2.50	
France week ago	38	33 35	32 33	37	4 <u>8</u> 4 <u>8</u>	3.70 3.70	-	5.60 5.60
Germany	3%	34	3%	312	3%		2.50	3.30
week ago	34	37	34	312	3å	4.50	2.50	3.30
ireland week ago	5	54 54	5:5	5 j	5% 54	-	-	6.25 6.25
Italy	94	9.	54 82	84	83		800	9.25
week ago	85	9;	8:5	83	8%		8,00	9.32
Netherlands week ago	24 27	2%	2% 2%	24. 22	2% 25		3.00 3.00	3.30
Switzerland	57	24	2	24	24		1.50	
week ago	194	2'4	12	15	2		1.50	-
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week ago		5.10	5.12	5.30	5.69	_	-	-
ECU Linked D	'	43-	4&	45	42	-	-	-
SDR Linked D	_	4% 38	4 <u>2</u> 32	44. 31.7	4 <u>6</u> 3%	-	-	-
week ago		36	34	313	375		-	_
S LIBOR Interpent	k fixing rates o	e odered	rome for S	10m aug	ad to the II	ngritest by fou	F redemo	nce ban
at there seem w Westmenster.	orlang day. Th	e bonics i	anı: Barin	ers Trust	Bank of	Tokyo, Berci	pha au	i Nation
Mid rates are sho	own for the do	mestic Mo	ney Rases	L USS C	Da, ECU &	SDA Linked	Deposit	es (Ds)
EURO CU	RRENC	Y INT	ERES	T RA	TES			
May 16	Short	7 day		One	Three	Sb.		One
	18(1)1	notice	<u> </u>	onth	months	month		year
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Donah Krone	45 33	4 - 3			3% - 34	379 - 3		P 377
D-Mark Dutch Guilder	314 · 314 211 · 215	313 - 3	36	- 3,4 - 213	35 - 34 31 - 21 31 - 35 74 - 74	314 · 31 233 · 25	9 34	3.
French Franc	312 - 31	211 - 2 314 - 3 703 - 7	313	. 313	38 38	412 . 3	4.	44
Portuguese Eac	-13 2	70 7	77	· 7	714 77	71	B 74	. 7
Sparish Peneta	74 - 74	133 - 7	713	- 741	126 - 116	7.5 . 1.	71	733
Sterung Swess Franc	512 - 512 25 - 23	512 - 5 21 ₂ - 2	42 013 4 23	- 583	514 · 6	6 ¹ g - 6;		3 - 61 2 - 2 -
Can Dotor	472 - 412	44 4		48	412 - 412	5 - 478	5,	- 5,7
US Dožar	514 - 514 912 - 84	57. 5	53	- 50	57 54 84 853	5,2 - 5	5	5,1 55, 56,3
Yen	312 - 84	20.9		· 9/2	11 . 3	12 · 11	5 P)	1 17
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			-0.05	96.02	95.97			53.237
			-0.08 -0.02	95.92	96.0° 95.80			53,782 31,630
	JE			-0.02	DJ.00	٦,/٥		لاحدر.
THREE MO								
_			hange	High	LOW			pen Int.
	675 96.		-0.02	96,75	96.72			88364
	6,76 96. 6.57 96.		+0,01 +0.02	96,78	96.73 96.50		-	23987B 207412
	6.26 96.		-0.01	96,30	96.20			51845
S THREE MO								
			hange	High	Low			pen int.
	1.35 81.		HQ.01	91,38	91,32			52480
	1.92 81.		10.01	81.05	91.88			35864
Dec 8	2.04 92	09		92,10	92.04	1747	7 :	26642
	2.05 92.		100	92.D6	92.02			9814
THERE NO	HTH BURO	SWIES !	TRANC	-LUN	es (LIFFE)	SFr1m po	ms of	100%
0	pen Sett	price C	hange	High	Low	Est	ol O	pen int
	7,87 97.		-0.02	97,98	97-82			22950
Sep 9	7.79 97.		+0.01	97.82	97.71	811		22958
	7.57 97.		:	87.62	97.54			11290
Mar 9'	7.31 97.			87,39	97.28			5293
				_				
		-	hange	High	Low			pen int
	9.32 99.		-0.03	99.32	99.32			ne
	6.05 99. 6.75 98.		-0.01	99.05	99.04			na na
II THREE MO								144
				High				oen Int.
C	boen Sett	price C	ANDON .	HEIGH	Low	P-RT. 1	uni ()	eren Mil.







UK INTE	REST	r RAT	ES .		-			May 15	Ecu cer	Rate	Cheng		m % spre	
LONDON	MON	EY RA	TES					1	rotes	egainst E				
May 16		Over-	7 days	One	Three	Six	One	Spain	162.493				3.13	
3 10		night	notica	month	months	months	year	Netherlands	2.75214				1.97 1.54	
		85e - 512	8 - 54	8 - 5%	61- 8	64 64	6,2 - 6,2	Belglum	38.3960				1.17	
nterbunk Sterfing	9 '	Pa8 - 245	8 - 34	8 - 512	8 . 512	632 - 533	63 - 63	Austria	13.4383 195.792				0.94	
Starling CDs		•		545 - 57	513 - 513		-,-	Portugel	1.81007				1.18	
reasury Bills		•		58 53	54 - 537	5% - 5%		Germeny	5.40606				0.25	
Bank Bitts		-1 -13	£1 . £15	616 - 518	6/4 - 5	614 - 6	6A · 6A	Degmerk	7.26580				0.00	
ocal authority o Discount Market		5/4 - 5/2 64 - 53	6 57		-10	-		Ireland	0.792214				0.52	
K clearing bank	k base k	ending rate	6 per cen	t from Marc	th 6. 1996			NON ERM M						
			Up to 1	1-3	3-6	6- 9	9-12	Greece	292,867				-2.19	
			month	month	months	months	months	Italy	2106.15				10.07	
Certs of Tax det		~~~	212	512	5	5	434	UK	0.796652			85 4.59 notes are in descr	-3.16	
Certs of Tax dep. Certs of Tax dep. Ava. ligader rate of Apr 30, 1985. Agra rate for period Max 6.5pc from May 1,	under C16 discours sed rate f r 30, 1996 1996	go,000 is 21 g on May 10 for period M 6 to Apr 30,	2pc. Deposit 1, 5.8164pc. lay 26, 1985 , 1996, Schar	ECOD fined (to Jun 25, 1) mes IV & V 8	gie Sog. Exp 196, Scheme 1979pc. Final	ori Finance. 9 8 5 8 7.35 nce House 6	Migue up dilly pc. Reference um Role	for a currency, i	and the repair	mum permitted	percentage de	e a week current want the actual of wintion of the cur fustment calcular cents per pour	rerecy's market	rais from
D THREE MO				High	Low	Est. voi	Open int.	Strike		CALLS			- PUTS -	
_		Sett price	Change	93.93	93.91	6015	74251	Price	Jun	Jul	Aug	Jun	Jul	Aug
	3.62	93.92	-	93.84	93.79	10088	60403	1.490	2.40	2.83	3.01	0.13	0.47	0.82
	3.83	93.83	+0.02	93.58	93.52	13870	68538	1.500	1.81	1.96	242	0.35	0.78	1,29
	3.54	93.57	+0.02	93.21	93.14	4070	48084	1.510	0.97	1.40	1,67	0.70	7.18	1.72
	3.18	93.19 92.79	+0.01	92.82	92.78	2518	38879	1.520	0.52	0.84	1.41	1.25	1.73	2.26
Jun 95 Also tracked on AF	279	92.79						1.530	0.23	0.59	1.03	1.98 Mr., Calb N/A P	2.38	2.83
Strike Price 9375	Jun 0.19 0.03	CAI Se 0.2 0.0	p 0	Dec 20	Jun 0.02 0.11	PUTS Sep 0.12 0.24	Dec 0.38 0.54	Jun Sep	Open 94.51 94.33	94,50 - 94,30 -	0,02 94 0.03 94	igh Low .52 94.50 .33 94.29	Est. voi 34,474 42,813	Open 370,5 358,2
0425 Est. vol. total, Cal		0.0	3 0	.05 .aaen int. C	0.33 ab 140509	0.45 Puts 122651	0.73	Dec	94.07			.07 94.00	94,632	358,8
int. vol. total, Cal	b 200 P	MB 010' IN	- 1-2	•				DUS TREA	SCHAL BUST					
								Jun Jun	94.97			.96 94,87	138	9,55
								Sep	94.77			,78 94.77	141	5,31
								Dec	-		G04 -	- 94.58	50	1.15
		BASE	LEND	ING R				Al Open Interes			M1m points	of 100%		
		% 5		e 6	.00		%	Strike		CALLS			- PUTS -	_
Adam 6 Compa	му	<u> </u>		ITTERO f	UU	el Bik of Scot er 6 Fnedia	end _ 0.00	Price		Jul Aug		_	وسام اس	Seg
Alliad Trust Bar	k			ma Harat /	m	n 6 William	Secs . 6.00			.30 0.31	0.33	0.01		0.08
AB Bark			where Florida	10 6 CO 5	T58		6.00	9675		.10 0.12		0.05 0.0		0.11
OHerry Ansbech	er		. مادوساست			ed Bank Ol K	LINGIL. 5.00	9700		.02 0.03	0.04	0.27 0.3		0.25
Bank of Baroda Banco Babao Vi	zcava	5W		hon 6. G Zurich 6	00 Unity	Trust Bank em Trust	Pic 6.00	Est. vol. sotal, (Cab 11670 F	us 8580. Pre C OPTIONS	(UFFE) SFr	on Int., Calls 352 1m points of 12	416 Pula 3613 00%	25
Bank of Cyonus		<u> </u>	_base Does	4		gaway Laidia	aw 6.00	Strike		— CALLS			PUTS -	
Bank of tretand		a.w			US Variety	share Barrik	6.00	Price	Jun	Sep	Dec	Jun	Seo	Dec
Bank of India			a Correction		w					0.11	0.15	0.18		
Bank of Scotlan	d	<u> </u>	Haram & C	^ = D		mbers of Lo	ndari	9800	0.06 0.01	0.03	0.15	0.36	0.31	0.53
Barclaye Bank .		<u>.</u>	P 5	John Hell 8		estment Ber	nking	9825					0.48	0.70
Brit Bik of Mild E	Collet	600 Ju	HOOGE NAME	Bank 6	00 As	sociation		EST AOT SHOP C		Y -Invitate CE	a Open and t	Calls 6895 Puts (***	
GBrown Shipley & Calbank NA	COLD.	<u>.</u>	_ de Gork .	oh & Sons 6			П	# EUNOLIA	A OPTION	(LIFFE) L10	COm points	of 100%		
Christole Ben	k	- ·		LE 9				Strike		CALLS			- PUTS -	
The Consequence	e Bank I	B.W	in and Barrie	D	w			Price	Jun	Sep	Dec	Jun	Sep	Dec
Courts & Co		100		- m	~			9125	0.21	0.77	0.97	0.08	0.08	0.13
Credit Lynnasis		ы.			w			9150	0.08	0.57	0.78	0.20	0.13	0.19
Cypnus Popular	Benk6	6.00	ea Brothers	6	DU DU			9175	0.04	0.39	0.15	0.41	0.13	0.13
								91/5	U.DA		0.01	U.41	020	02/



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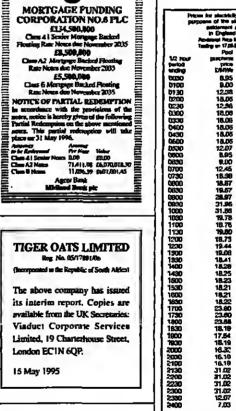
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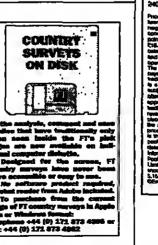
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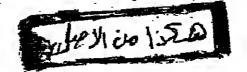
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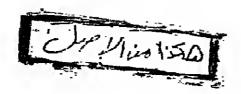
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FINANCIAL TIMES FRIDAY MAY 17 1996 *	35
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LONDON STOCK EXCHANGE

Rights issue rumours undermine sentiment

A UK equity market expected to endure a quiet session was given a thorough shaking yesterday, with a series of bearish corporate news items mixing with a marginally dis-appointing inflation report for April

and a small setback on Wall Street. Adding to a generally gloomy background were murmurings that there could be a more sinister reason behind the market's poor performance. One suggestion was that a big rights issue was being lined up, with Prudential one of the being put forward.

beating and the feeling is that there is something holding it back," said the head of trading at one of the big UK securities houses.

The FT-SE 100 index closed the day 22.6 lower at 3,753.6. Selling leaders; the second liners were also pressured and the FT-SE Mid 250 index receded 15.0 to 3,753.6.

The bad news was concentrated mostly in the oil and gas areas, where British Gas remained the market's whipping boy. The shares extended their recent alarming slide and fell to their lowest level since June 1989, partly because of a poor set of first-quarter numbers, but This market took something of a mostly because of the continued fal-

lont from Monday's Ofgas report. "The shares have 160p written all over them," was the visw of one marketmaker.

A big sell-off in oil shares put a large dent in the Footsle, with rumours that a resumption of Iraqi oil sales is all but signed, sealed and delivered said to have been the most damaging factor. Shell succumbed to profit-taking, prompted by the lack of any sizeable cutbacks in refining capacity, but specialists expect news on this front soon.

There was also a dose of unexpected bad news from BTR, which warped of lower first-half profits, unleashing a wave of selling of the shares. Among the second liners,

Britisb Biotech tumbled amid rumours that the progress report scheduled for next week may not be scheduled for next week may not as bullish as some had expected. ft was not all had news for the market, however. On the plus side

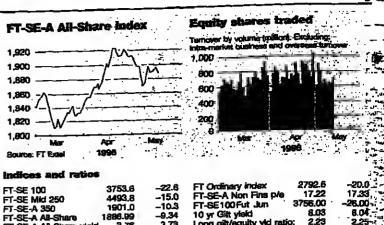
Glazo Wellcome provided much

needed pleasure for shareholders indicating excellent profits progress for the current year. Turnover expanded to 752.1m shares at 6pm, belped along by heavy activity in British Gas, PowerGen, BTR and BT. Some 34m

PowerGen shares were traded, after UBS bought in 4.8 per cent of the shares for the company. A programme trade, executed by Merrill Lynch, also boosted turnover.

The composite insurances were consistently bought amid further rumours that a counter to the Royal Insurance/Sun Alliance merger could be in the pipeline, and also on hints that further alliances are on the cards; Commercial Union merging with Guardian Royal Exchange was being mentioned again,

Fund management groups provided the two top performers in the FT-SE Mid 250, Mercury Asset Management and Perpetual, with the former responding to excellent results. Grey market dealings in Railtrack, carried ont by IG Index. showed the shares edging up to 206p-209p, after opening around 203p-206p.



at performing sectors Diversified Inclusion.
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Sales boost for Glaxo

Glaxo Wellcome, the world's biggest pharmaceuticals group, bucked the London downtreod thanks to bumper sales figures. The shares leapt 471/4 to 836%p and moved so sharply that at one stage the Seaq trading system was unable to handle the changes and quoted prices went into "backwardation", the situation where bid and offer prices are apparently

Yesterday's gain came on the back of a 9 per cent rise in sales over four months, compared with market projections of a 7 cent increase over six

months. It wiped ont some of the gloom experienced in early March, when analysts reduced forecasts following full-year figures at the bottom of the City's consensus range.

However, forecasts were not being dramatically revised yesterday. Analysts who had cut by about £100m to between £2.9bn and £3bn in March were edging their estimates up by only £20m yesterday.

SmithKline Beecham rose 91/2 to 669p after SBC Warburg changed its stance on the stock to "hold" from "sell". Sentiment was also underpinned by an upbeat presentation to investors in the US on Wednesday and a presentation by one broker on Kredex, Smith-Kline's congestive heart failure treatment.

Leading conglomerate BTR

crashed to the bottom end of the Footsie performance charts, following an annual meeting warning of lower profits for the first half of this

The announcement caught the market totally wrongfooted and revived memories of past bitter public relations clashes between BTR and the City. "BTR has put its foot in it again," said one analyst

Most brokers were looking for first half growth. NatWest Securities had pencilled in an interim gain of 1 per cent. It has now downgraded profits for the full year by 4 per cent to £1.42bn. Kleinwort Benson came down to £1.38bn.

One problem area for the group, Polymer Taiwan, was seen as non-core to BTR. The other. Sealing Systems, was said to mostly reflect profit delays, "The stock now looks very cheap, but the City is in unforgiving mood," said Mr Bruce MacDonald, NatWest analyst. The shares ended 14 lower at 297p in turnover of 21m, the third highest volume this year.

Hanson's interim figures were in line with estimates and so was the group's forecast of maintained profits for the year. But there were worries about the cash flow trend, and the shares shed 21/4 to 1941/4p. Takeover speculation has

started to return to Willis Corroon, the insurance broker which has been seen as a plam for Aon, the US group. Heavy turnover of 6.4m shares and a rise of 3 to 151p revived rumours that Aon: is keen to buy the company and

could quite easily acquire the

20 per cent-plus stake held by

PDFM, which is believed to have been disappointed with the stock's performance.

Aon has said that it intended to pick up a broker by this spring and is thought to have looked at Sedgwick and Willis before. Both would be attractive propositions on the surface but both also suffer from long term liabilities.

Shell Transport fell 16 to 923p as the company failed to announce the boped-for restructuring within the European downstream side of the company.

The shares had hit a record closing high on Wednesday and the company's lack of aggression at the meeting with analysts gave an opportunity to take profits.

Also, the price of Brent crude tumbled 50 cents a barrel on concerns about a return of Iraqi exports. However, analysts were sanguine, arguing that the restructuring would take place. Heavy two-way business in

happen, the dividend would

rise and acquisitions would

leisure giant Ladbroke Group saw volume rise to 12m by the close of the session. The shares ended unchanged at 189p. Rumours that SBC Warburg had a line of 5m shares in rent-

als and music group Thorn EMI on offer sent its shares retreating. However, there was no evidence of such a large amount of stock being available, and having fallen to a low of 1739p, the shares recovered some of the early loss to close 28 off at 1752p. Dealers were active in the stock throughout the session and volume at the close was L6m

The gas attack continued yesterday. Following the regulatory review on British Gas earlier in the week, the hard pressed company announced disappointing first-quarter

FINANCIAL TIMES EQUITY INDICES

		May 1	8 May	15 May	14 Ma	y 13 M	lery 10	Yr ago	רלפוניר	_Low_
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Ord. div.		3.5	6 3	.95	3.96	8.96	3.96	4.24	4.06	3.76
P/E ratio	net	16.4	9 16	56 1	5.48	18.42	16.48	16.08	17,25	15.96
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Historic cost profits of £573m against forecasts of £650m helped the shares tumble 14 to 174%p. The company had the dubious honour of recording the biggest percentage slide in the Footsie again. The weak ness was not helped by the sale forged ahead 24 to a new 52-

of one block of 20m shares at 173p a share. BT's results statement was said to be mildly positive. allowing brokers to edge up profits estimates. RZW added £100m to £3.15bn for this year and NatWest Securities £20m to £3.02bn. The shares, which touched a 52-week low this week on regulatory worries, held up relatively well against the market, relinquishing only

a penny to 333p. Mercury Asset Management spearheaded another drive by fund management stocks, the shares jumping 38 to 956p in the wake of the excellent preliminary figures. SBC Warburg, a long-term bull of the stock, reiterated its £10.50 a share price target and maintained its 1997 profits forecast of £173m.

In the stores sector, there was profit-taking in Burton, which surrendered 61/2 to 1521/2-p on a trading volume of 19m shares following its interim results, which were at the top end of expectations.

But cautious comment by Burton over little sign of improvement in clothing sales cast a cloud over the sector. Amid reports of a substantial US seller. Next tumbled 16 to 531p ahead of today's agm. Allders moved up 17 to 240p

after the company announced that it was in talks which could lead to the sale of its worldwide tax and duty free operations. Although National Power

slipped 4 to 516p, there were strong rumours that it would hand back fibn to shareholders next week in the form of a special dividend. In the alcoholic beverages

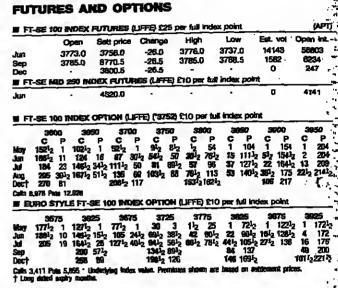
sector. Grand Metropolitan's

interim results were at the ton end of expectations but the shares slipped 6 to 440p after the company was a little less positive over spirits pricing than earlier in the year. Caravan maker ABI Leisure

week high of 121p. Lloyds underwriting agency Ockham Holdings advanced 11 to 73p on a statement that profits are likely to substantially exceed the previously anticipated £7m.

CORRECTION Wednesday's column incorrectly stated that the retailer Powerhouse was in administration and was closing 31 stores. The company concerned is called Powerstore.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lise Wood.



TRADING VOLUME LONDON RECENT ISSUES: EQUITIES M Major Stocks Yesterday utot. Closing Day's, 000s price change

2.500 6.200 1.500

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F.P.	18.8	95	94	AMA District	94		М.5	-	6.0	
F.P.	44.2	101	101	AMA Trust	101		-	-	-	
F.P.	137.9	745	674	Atlantis Japan	68932	-712	_	-	-	
F.P.	-	175	125	Sincompthie Link	153	-2	_	-	-	
F.P.	128	124			120		-			
F.P.	132	1050	850	Cairngonn Units	925		-		-	
F.P.	9.40	95	94	Capital Co's VCT	94	-1	-	-	-	
F.F.	7.B4	36	39	TENER	39		_	-	-	
F.P.	23.8	97'2	94	Gartmore Select	95	-1	-		-	
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F.P.	181.4	337	278	Mill & Conthorne		+1	4.7	-	1.7	
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m Regional Indices								
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Acestraliania (6)	2612.79	-1.9	2662.11	2260.88	2.54	28.95	2827,34	2098.5
North America (12)	3099.21	-0.1	2101.07	1585.76	0.66	73.79	2186.39	1488.9

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	May 18	Day's	15 May 14	12	Your	Div.	Net	P/E	Xd ad	. Total
FT-SE 100	3753.6	-0.6 377				3.98	2.13		72.43	1529.6
FT-SE Mid 250 FT-SE Mid 250 ex Inv Trusts	4483.8 4532.1	-0.3 450 -0.3 454			3619.5 3623.6	3.34	1.75		77.90 82.94	1799.0 1817.4
FT-SE-A 350	1901.0	-0.5 191				3.45	1.80		35.85	1583.5
FT-SE-A 350 Higher Yield	1824.6	-0.4 183			1648.6	5.11	1.80		43.30	1270.1
FT-SE-A 350 Lower Yield	1994.9	-0.7 199				2.68	2.32		28.59	1370.9
FT-SE SmallCop	2237.35		43 2232.88	2228,52	7852.07	2.90	1.78	24.72	24.68	1830.1
FT-SE SmallCop ax My Trusts	2235.40		.52 2230.76			3.07	1.87		25.79	1839.5
FT-SE-A ALL-SHARE	1886.89	-0.5 1698	.33 1890.25	1882.84	1617.00	3.76	2.04	16.33	34.39	1596.2
■ FT-SE Actuaries All	-Share	_								
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10 MENERAL EXTRACTIONOS	3519.73		48 3509.65		_	3.71	1.80	18.76	_	1516.3
12 Extractive Industries(6)	4827.58		16 4587-93			3.49	2.50	14.32 1		1361.7
15 Of Integrated 3	3526.94		27 3506.74			3.92	1.68	18.97		1558.5
16 Of Exploration 6 Prod(15)	2507.15		32 2480.23			2.09	1.60		32.05	1506.2
20 GEN INDUSTRIALS(275)	2123.33		85 2 140.71			3.99	1.89		33.80	1158.6
21 Building & Construction(34)	1222.10		14 1228.38			3.37	1.80		18.11	1022.8
22 Building Matts & Mercha29	1957.65		45 1979.03			3.87	1.75		36.36	990.2
23 Chamicals(25)	2550.68		71 2534.75			3.88	1.94	18 83		1205.5
24 Diversified Industries (19)	1748.36		05 1792.67			5.90	1.68	12.60		980.25
25 Electronic & Elect Equip(37)	2429,42	-0.7 2445.	31 2448.43	2424,84	2038.85	3.03	1.67	24.73		1253,4
26 Engineering(71)	£461.81		66 246 1.06			3.11	2.49	16.14	26.63	1491.2
27 Engineering, Vehicles(13)	3025,45		91 3020.29			3,52	1.89	16.90		1568.7
26 Paper, Pokg & Printing(28)	2761.49		96 2802.17			3.68	2.08		1.62	1150.0
29 Textiles & Appersi(19)	1402,92	-0.3 1407.	53 1410.53	1423.39	1665.45	5.03	1.54	16.16	28.70	857.7
30 CONSUMER GOODS(80)	3531,81		78, 3483.80			3.97	1.85	17.05	74.71	1309.3
32 Alcoholic Severages(9)	2866.57		08 2871.43			4.33	1.53	17.77	58.02	1035.5
33 Food Producers(23) 34 Household Gooder(5)	2489.78		77 2481.80			4.18	1.82		55.04	1119.5
34 Household Goods(15) 36 Health Care(20)	2680,42 2086.75		72 2003.37			3.70	2.41	14.00		1026.8
37 Phirmson/ticels(12)	5029.91		27 2103.98 25 4858.64			2.55 3.38	1.88	26.18 2		1270.3
38 Tobacco(i)	4183.44		79 4154,97			6.10	1.86	19.83 9		1711.7
40 SETVICES(253)								10.25 1		1045.6
41 Distributore(32)	2513.12 2914.57	-0.4 2926.0	77 2531.72			2.81	2.03		2.78	1305.7
42 Leisure & Hotele(23)	3182.86	-1.0 3213.0				2.89	1.77 1.95	24.45		1075.1
43 Medic[46]	4239.31	-0.7 4270.				2.10	1.95	23.18 1- 30.58 4		1714.0 1535.5
44 Retailers, Food(15)	1999.86	-0.8 2015.0				3.79	2.33	14.15 1		1264.9
45 Retallers, General(43)	2034.44	-0.8 2051.				2.96	2.19	19.17 1		1158.3
47 Breweries, Pubs & Rest.(24)	3176.36	-0.7 3138.0	51 3150.60	3148,25	2327.81	3.22	2.07	18,75 1	8,79	1486.5
48 Support Services(48)	2317.75	-0.2 2382.0	2363.60	2365.39 1	586.13	1.93	2.45	26.40 2	3.28	1512.0
49 Transport(21)	2436.23	-0.2 2440.	30 2447.61	2435.40 2	205,90	3.57	1.40	25.05 2		1012.5
60 VTILITIES(33)	2345.30	-1.6 2383.7	72 2301.89	2419,52 2	2351.29	5.41	2.02	11,46 4	6.63	995.18
82 Electricity(12)	2733.58	-1.1 2763.7				5.33	2.49	8,43 13		1315.7
64 Gas Distribution(2)	1161.98	-7.D 1271.S				10.14	1.36		4.68	816.90
68 Telecommunications(7) 68 Water(12)	1973.55 2062.15	-0.9 1992.3				4.38	1.71		0.15	893.35
		-1.0 2082.0				5.92	2.50	8,17	3.81	1118.2
S9 NON-FRANCIAL SEES	2005,01	-0.6 2016.7	0 2012.14	<u>2006,34 1</u>	740.04	3.77	1.93	17.22 3	4.84	1521.10
70 FINANCIALS(105)	2836.30	-0.1 2928.	8 2907.45	2662.27 2	357.92	4.08	2.62	11.68 7	_	1266.4
71 Banks, ReteR(B)	3971,51	-0.2 3981.0				3.92	2.89	11.04 10		1307.0
72 Banks, Merchant(6)	3535.28		24 3543.59			2.78	2.38	18,84 3	6.38	1118.9
73 Insurance(23) 74 Life Assurance(5)	1536.77	+0.9 1522.6				5.13	3.15	7.74 4	7.23	1184.4
	3579.71 2713.56	-0.9 3812.9 +1.2 2680.7				4.18 3.80	1.72	13,34 10		1500.6
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77 Other Financial(21)								20.30]	2,394	961.82
77 Other Financial(21) 79 Property(41)	1571.14		S 1570.89			2 14	1.00	EE C4 -	4 =-	
77 Other Phancial(21) 79 Property(41) 60 INVESTMENT TRUSTS(126)	1571.14 3237.83	-0.4 3250.7	75 3236,90	3221.36 2	783.86	2.14	1.06	55.04 2		
77 Other Financini(21) 79 Property(41) 60 INVESTMENT TRUSTS(126) 69 FT-SE-A ALL-SHARE(896)	1571,14 3237.83 1886.99	-0.4 3250.7 -0.5 1896.1	5 3236,90 3 1690,25	3221.36 2 1882.84 1	783.86 617.00	3.76	2.04	16.33 3	4.39	1596.2
77 Other Financial(21) 79 Property(41) 80 INVESTMENT TRUSTS(126) 89 FT-SE-A ALL-SHARE(186) T-SE-A Placifing	1571.14 3237.83	-0.4 3250.7	75 3236,90 33 1690,25 74 1249,83	3 <u>221,36 2</u> 1882,84 1 1248,20 1	783.86 617.00 003.05			16.33 3 21.03 1	4.39 2.53	1596.2 1313.2
77 Other Financin(21) 79 Property(41) 60 INVESTMENT TRUSTS(126) 69 FT-SE-A ALL-SHARE(866) 7-SE-A Fledgling ox Inv Trusts	1571.14 3237.83 1888.99 1257.73	-0.4 3250.7 -0.5 1996.1 +0.2 1254.7	75 3236,90 33 1690,25 74 1249,83	3 <u>221,36 2</u> 1882,84 1 1248,20 1	783.86 617.00 003.05	3.76 2.73	2.04	16.33 3	4.39 2.53	1596.21 1313.21
77 Other Financin(21) 79 Property(41) 80 INVESTMENT TRUSTS(126) 89 FT-SE-A ALL-SHARE(866) T-SE-A Fledgling ox Inv Trusts I Hourty movements	1571.14 3237.83 1888.99 1257.73 1267.79	-0.4 3250.7 -0.5 1896.3 +0.2 1254.7 +0.3 1254.1	75 3236,90 33 1690,25 74 1249,83 10 1259,05	3221.36 2 1882.84 1 1248.20 1 1255.44	783.86 617.00 003.05 987.05	3.76 2.73 2.94	2.04 2.18 2.36	16.33 3 21.03 1: 18.01 1:	4.39 2.53 3.64	1596.2 1313.2 1324.0
77 Other Financin(21) 79 Property(41) 80 INVESTMENT TRUSTS(126) 89 FT-SE-A ALL-SHARE(866) 71-SE-A Redgling ox inv Trusts T-SE-A Redgling ox inv Trusts L Hourty movements Open 9.6	1571.14 3237.83 1888.99 1257.73 1267.79	-0.4 3250.7 -0.5 1896.3 +0.2 1254.3 +0.3 1254.3	75 3236,90 33 1690,25 74 1249,83 10 1259,05	3221 36 2 1882,84 1 1248,20 1 1255,44	783,85 617,00 003,05 987,05	3.76 2.73 2.94 15.00	2.04 2.18 2.36	16.33 3 21.03 1 18.01 1	4.39 2.53 3.64 day L	1596.2 1313.2 1324.0
77 Other Financia(21) 79 Property(41) 60 INVESTMENT TRUSTS(126) 69 FT-SE-A ALL-SHARE(869) 7T-SE-A Fledgling ox inv Trusts I Hourty movements	1571.14 3237.83 1888.99 1257.73 1267.79 30 10.00 0.1 3762.4	-0.4 3250.7 -0.5 1896.3 +0.2 1254.3 +0.3 1254.3 11.00 3780.4	75 3236,90 13 1690,25 74 1248,83 10 1259,05 12,00 3750,5 34501,9	3221 36 2 1882.84 1 1248.20 1 1255.44 18.00	783.86 617.00 003.05 987.05	3.76 2.73 2.94	2.04 2.18 2.36	18.33 3 21.03 1: 18.01 1: 0 High/	4.39 2.53 3.64 day L	1129.21 1596.2: 1313.2: 1324.0 0m/day

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PAN-HOLDING

Société Anonyme - Luxembourg R.C. Luxembourg: B 7023

7, Place du Théâtre, Boîte Postal 408, L-2014 Luxembourg Telephone: (352) 46 24 01/46 24 02 Telefax: (352) 46 25 27

PRESS RELEASE FOLLOWING THE ANNUAL GENERAL MEETING OF APRIL 30, 1996

DIVIDEND

Following the vote at the Extraordinary General Meeting on February 2, 1996, there are now two classes of PAN-HOLDING shares which can be purchased or sold at net asset value +/-0.50%. They both continue to be quoted on the Luxembourg Stock Exchange and Over the Counter in Paris:

- 1) Capital Shares are not entitled to receive a cash dividend;
- 2) Dividend Shares are entitled to receive a cash dividend.

The Annual General Meeting of April 30, 1996, has declared for 1995 a dividend of US \$ 5.80 per Dividend Share (compared to the dividend of US \$ 5.50 paid the previous year) for shareholders of record at close of market on May 31, 1996. The dividend, free of withholding tax in Luxembourg, will be payable as of June 3, 1996 on the Dividend Shares (coupon Nr. 2 for bearer shares) and the amount corresponding to the dividend will be attributed to the Capital Shares.

CURRENT GEOGRAPHIC BREAKDOWN OF ASSETS

Cash	10.50%	Japan	17.89%
North America	20.14%	Europe	40.45%
Pacific Basin ex-Japan	8.26%	Gold bullion and gold mines	2.76%
PERFORMANCE	•		

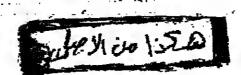
	VALUE AS OF MAY 15,	
PER SHARE OF US\$ 50	DIVIDEND SHARE*	CAPITAL SHARE
	US\$	US\$
T ASSET VALUE	387.54	387.54
LE PRICE	389.48	389.48
PURCHASE PRICE	385.60	385.60

*Effective June 3, 1996, date of payment of the US \$ 5.80 dividend, the value of the Dividend Share will be lower than that of the Capital Share.

As of May 15, 1996, the net asset value per share is up 6.24% from December 31, 1995.

Pan-Holding's 1994 and 1996 legal structure transformations which served in particular to enhance the shares' liquidity did not after the Company's policy which consists of globally diversified active equity management. Short term performance has been strong (12.04% rise for the 12 months ending April 1996); longer term results have been strong as well as the net asset value with dividends reinvested, expressed in US \$, rose by 9.05% annualized over 5 years, by 10.06% annualized over 10 years, and by 11.27% annualized over 15 years for the periods ending April 1996.

The 1995 annual report and the prospectus dated February 2, 1996 are available upon request at the Company's registered office, 7, Place du Théâtre, Boîte Postale 408, L-2014 Luxembourg, Telephone: (352) 46 24 01/(352) 46 24 02 Telefax: (352) 46 25 27.



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In Europe's crowded skies,

Rockwell Avionics plays a key role in promoting safety and efficiency

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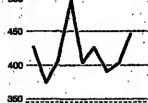
Hewlett disappoints, **Dow falters**

Wall Street

Pressure from falling bonds and disappointing earnings from Hewlett-Packard, a leading US maker of printers and computers, helped to send US shares lower in quiet trading at midsession yesterday, writes Lisa Bransten in New York. At 1 pm, the Dow Jones Ind-

ustrial Average was off 7.38 at 5,618.06, the Standard & Poor's 500 had declined 2.04 to 663.38 and tha American Stock just 0.91 at 601.46. New York

NYSE volume



3 a 7 a e 10 13 14 15 16

Stock Exchange volume had reached 216m shares

Hewlett reported that its quarterly earnings were \$1.37 per share, 8 cents a share lower than analysts' expectations, sending its stock down \$6% or 6 per cent to \$106. Although Hewlett trades on the NYSE, the result put pressure on the technology sector, which is concentrated in the Nasdag composite.

In the early afternoon the Nasdaq was off 1.63 at 1,231.93 and the Pacific Stock Exchange technology index was 0.7 per Microsoft fell \$1% to \$115%,

Intel was \$1 lower at \$71% and Gateway 2000 lost \$% at \$36%. Falling oil prices took a toll on the Dow index, which includes three oil companies among its 30 companies.

Caracas was suffering some

profit-taking in early trading following Wednesday's record

by a 16 percentage-point fall in

government bond yields. At midsession the Merinvest

indax was down 18.61 at

4.069.62. Brokers commented

that the market was being sup-

ported by heavy domestic and oreign interest. SAO PAULO was treading

water at midsession as investors awaited a Supreme Court

ruling on technical issues related to bidding for Light,

the power distributor for the

The Bovespa index was up

The Supreme Federal Tribu-

nal had been due to rule on Wednesday on two injunctions

which would allow two compa-

nies to use bonds for the full

city of Rio de Janiero.

278.30 at 54,762.

Caracas mildly lower

Early reports suggested that a deal allowing Iraq to sell oil to raise money for food could go through in the next few daya. Chevron lost \$1% at \$57%, Exxon alipped \$% to \$84% and Texaco was \$1% weaker at \$81%

Chrysler was \$1% higher at \$66% in active trading after the car maker appounced that its board of directors had approved a stock split and raised the pre-split dividend from 50 cents to 60 cents a

ValuJet slid \$\frac{1}{2} \text{ or 6 per cent to \$13\frac{1}{2} \text{ on reports that Saturday's crash of its DC-9 in Florida might have been the result of outdated air canisters the airline was carrying back to its headquarters in Atlanta. The carrier said yesterday that it believed it had aufficient liability insurance to cover the cost of accidentrelated claims.

AnnTaylor added \$1% at \$22% after the specialty retailer said first-quarter profits were 8 cents a share, a cent ahead of analysts' estimates.

Toronto stocks were weak in midsession trade, following the Canadian bond market downward after posting three days of gains. The TSE-300 composite index lost 15.85 to 5,197.10 in

hefty volume of 59.4m shares. Among individual stocks, Black Swan Gold Mines overcame early weakness to trade 14 cents higher at C\$1.78. Bre-X Minerals surged C\$8.95

to C\$233.70 after news that the popular stock, which has a gold find of roughly 30m ounces in Indonesia, will split shares on a 10-for-one basis. Traders said Bre-X's ascent was also fuelled by an increase in analysts' target price for the stock. One analyst at Neshitt Burns has boosted his outlook to C\$270 per share, with further increases if forthcoming drill results were positive.

is privatised on May 21. How-

ever, the Tribunal postponed the ruling until yesterday.

down on profit-taking, with the

IPC index showing a fall at midday of 17.13 at 3,215.01.

13.00 14.00 15.00 Com

MEXICO CITY was also

Liberian Iron Ore was weak, Tokyo dropping C\$2.45 to C\$4.30.

Small-lot buying of blue chips supported share prices and the Nikkel average closed margin-ally higher in spite of broadly based profit-taking, writes Emiko Terazono in Tokyo.

trage buying was triggered by a rally on the futures market in Osaka, small-lot buying by foreigners and domestic institutions absorbed profit-taking. and individual investors continued to dabble in speculative

against 537m. The Topix index of all first section stocks rose 7.40 to 1,697.56 and the Nikkei 300 by 0.94 to 313.71. Advances led declines by 761 to 336, with

tutions and overseas investors were also encouraged by the company's earnings outlook.

26. Industrials staged a strong recovery in the aecond and third weeks of that mooth as the weak rand fuelled hopes of higher exports. The shift of the industrial board to screenbased trading also maintained volumes, which would have been unlikely under the old

open-outcry system.

the interest rate rise on April

r Trevor Manuel,

South Africa's first

black finance minis-

ter appointed from within the

ranks of the ruling African

National Congress, has devoted most of his adult life to the

anti-apartheid struggle. His

six-week tenure has propelled him into a new struggle to

learn the language of the

Since aucceeding Mr Chris

Liebenberg, an independent banker from the private sector,

Mr Manuel has been unable to

stem the collapse of the rand.

The unit has lost 20 per cent of

its value since Fabruary 16,

when an unfounded rumou

that President Nelson Mandela

had suffered a heart attack

prompted the first stage of its

The heightened perception of political risk following Mr Lie-

benberg'e resignation in late

March prompted widespread

sales of blna chip industrial

counters by foreign investors.

In dollar terms, South African

Breweries, the largest indus-trial conglomerate and one of

the few blue chip stocks that offers reasonable liquidity to

new buyers, fell from \$39.50 in

January to \$26 prior to this

However, foreigners were

overall buyers of South African

week's results announcement.

global money markets.

Rand-hedge stocks also pros-pered, notably Sasol, the synthetic fuels producer which has its costs in rands but has a product with a barrel price set in dollars in line with international crude prices. Between February 15 and April 26, the counter gained 52 per cent before dividends, rising to a peak of R47.75. It has since lost about 20 per cent in the wake of the higher interest rates, which have depressed even De Beers, the market leader.

Meanwhile, expectations grew that the weaker rand would offset the softening dollar bullion price and boost profits at South African gold mines. This assumption was justified by strong results for

The gold shares index has followed a fairly stable upward path after a period of volatility in late February and early March. It rose steeply ahead of the interest rate increase, as equities in the weeks before investors anticipated the set-

1998 Jeen

back in the industrial sector and bought into gold. Its attraction as a rand hedge

Yesterday, industrials ended a quiet day softer again in a generally negative market but golds were slightly firmer, with some recent poor company results adding to the gloom

The overall index was 33 down at 6,793, the industrials index lost 73.6 to 7,879.2 and the golds index edged up 7.5 to a fresh 1996 high of 2,027.7.

The future is uncertain. The successive plunges in the rand, and a subsequent 1 per cent rise in the central bank rate to 16 per cent on April 26, have highlighted the market's vulnerability to rumour and the painful impact of relatively thin trade. In contrast to the enphoria that followed the peaceful election two years ago, political developments can no longer reassure the market.

The traditional stability of the tightly held equities mar-ket has added to the shock of the slide in the rand. Several big London-based firms, with beavy positions in South African equities and bonds, have advised clients to be wary. Merrill Lynch last week confirmed it would "tone down our aggressive overweight to a more moderate stance, essentially putting our commitment to the market on bold".

According to Mr Jacko Maree, managing director of Standard Corporate and Mer-chant Bank: "There is no doubt that a lot of foreign investors have lost money, and they will be replaced by a different kind of investor accustomed to higher risk. The most worrying

to 2,347.89, but the broader

Analysts noted that some

foreign funds were moving out

of Singapore following tha

plunge in property stocks on

the government's tough anti-

KUALA LUMPUR'e compos

ite index lost 4.11 to 1,149.98.

Malaysian Assurance fell

M\$1.80 to M\$11.10 on concern

that a proposed change in

insurance rules might result in

SEOUL was sharply lower as

concerns grew over South

Korea's economic elowdown

and the composite index fell

Recently neglected, low-

market was mixed.

speculative measures.

lower profits.

17.21 in 940.96.

part is the volatility. It is not so much what has happened to the rand as the way it has happened." However, not all foreign

investors are downbeat. In a note this week, Mr Nicholas Knight and Ms Allison Southey at Nomura say that they could not "get too fussed" about recent political developments, seeing the events as growing pains, which may bring dis-comfort for a short while but are soon forgotten. They say they had no intention of reducing their 3 per cent exposure to South Africa in their model global equity portfolio, "which is more than we can say about some other emerging markets we follow".

"Our return to the global economy is well on track. The buffeting the rand has taken is entirely a result of globalisation," notes Mr Terry Davidson, managing director of Citi-bank in Johannesburg.

fter a meeting with Mr Manuel this week, Dr Chris Stals, governor of the Reserve Bank, said he had reached agreement on the need to manage tha gradual abolition of exchange controls by doing "smaller things more regularly". It is a moot question whether this will calm or excite nervous investors.

Won7,100 on expectations of

SYDNEY retreated as domes-

Banking stocks were among

the worst performers, the sec-

tor index declining by 1 per cent. National Australia Bank

lost 6 cents to A\$11.56,

although it reported a 4.6 per

cent increase in after-tax profit

for the fiscal first half which

ended on March 31. The bank

also announced an interim div-

Crusader, an oil company, jumped 42 cents to A\$1.63 after

Clyde Petrolaum, of the UK,

launched a takeover bid, offer-

ing A\$1.62 a share in cash.

idend of 43 cents a share.

tic issues pressured sentiment. The All Ordinaries index shed

strong earnings this year.

14.70 to 2,245.50.

EUROPE Repsol off by 2% more

Most bourses were closed for Ascension Day. MADRID reflected its results season as the general index closed just 0.09 lower at 357.01.

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Repsol, whose past quarter-lies had outperformed those of other oil majors, fell another 2 per cent on this week's disappointing figures, shedding Pta90 at Pta4,345.

In retailing, Continente and Cortefiel put on 2.1 and 7.5 per cent, rising Pta60 to Pta2510 and Pta200 to Pta2,850 as they pressed on with investor roadshows in London and Scotland. MILAN, weak but quiet awaited the formal appointment of Mr Romani Prodi as

of his team and further news of the mini-budget. The Comit index eased 3.28 to 662.14. Against the trend; Stet jumped L109 to L5,500 on a possible alliance with Cable and Wireless and Veba.

Parmalat dropped L51 L1,676, extending Wadnesday loss after the announcement of

a capital increase. Cartiere Burgo was lifted Lig4 to L9,000 on hopes that the company could expect a better performance in the second half of this year.

WARSAW rebounded following four consecutive failing sessions, tha Wig index gains 0.5 per cent to 12,810.3, but brokers were braced for another decline today on publication of inflation data for April.

WBK jumped 4.1 per cent on news that the Allied Irish Bank group had bought a 20 per cent stake, lifting its minority shareholding to 36.3 per cent. ISTANBUL recovered 3-per cent of Wednesday's 5 per cent

fall on what dealers described as a technical rebound. The composite index made 1,922.82 to 66,484.93. TEL AVIV was depressed by higher than expected CPI data, and the Mishtanim index lost 2.50 or 1.2 per cent to 200.20 in

turnover of Shk84m. Teva Pharmaceutical Industries, which hit an all-time bigh on Wednesday, fell 4 per-

cent in Shk147,086.4. Written and edited by William Cochrane, Michael Morgan and

South Africa JSE industrial Rand against the \$

Rand shockwaves extend to equities

Mark Ashurst reports on the aftermath of currency volatility in Johannesburg

Source: FT Extel

has continued, with the gold index reaching new highs this week while industrials lost ground. However, dealers said that foreigners frustrated with tha volatility in the equities market were switching into bonds. They expected the allshare index closely to follow Wall Street pending new developments in the local market.

in the industrials market.

Bangkok suffers its heaviest fall in two months stocks, which took the Straits Times Industrial index up 26.39 damand. Dong Sung rose Won400 to its upper limit of to HK\$53.25, while its Hutchi-

his stake in Hutchison. How-

ever, dealers said that they remained baffled about Li's

TAIPKI moved higher late in

the day on buying in the fman-

cial sector. The weighted index added 1.52 at 6,096.93, off a ses-

sion low of 6,074.57. Turnover

Electronics were stronger as

group, with ASR np by the

daily permitted 7 per cent limit

to T\$49.70. But textiles declined

after the US threatened to

impose sanctions on Chinese

SINGAPORE saw some

longer term intentions.

was T\$41bo.

Bangkok, which suffered its heaviest fall in two months. But an afternoon power cut caused the session to end prematurely.

The SET index fell 24.26 to 1,302.34 in voluma of 94m shares valued at Bt7hn. Brokars observed that

domestic funds sold National Finance on reports that the company's disappointing firstquarter performance had been the result of bad loans in its financa business. The stock slid Bt11 in Bt107. TelecomAsia was the day's

most active stock, losing Bt6.50 at Bts0.50 in 9.4m shares dealt.

The 225 index rose 91.24 to 22,147.21 after moving between

Volume totalled 558m shares, 144 issues unchanged. in London the ISE/Nikkei 50

index eased 0.17 to 1,478.62. Traders said that the Nikkei 225'a four-year high of 22,282.05, established on April 24, was a strong resistance

Sony moved ahead Y40 to Y6,920 on Wednesday's announcement of its consolidated operating profit of Y235bn for the last business year. Domestic financial instiwere mixed in spite of the weaker yen. Hitachi rose Y10

son associate gained 20 cents to HK\$47.70 following news Y3 to Y799 and Mitsnbishi Electric lost Y5 in Y804. that their chairman, Li Kashing, had again slightly raised

Three of the big four bro-kers, Yamaichi, Daiwa and Nikko, said after hours yesterday that they had returned to profits in 1995-96. On the seesion, Nomura, which reported earlier, fell Y30 to Y2,210 and Nikko Securities declined Y10 to Y1,280. Banks were mixed in spite of a favourable outlook on interest rates, with Indus-trial Bank of Japan down Y30 to Y2,740 and Sakura Bank up Y10 to Y1,170. Speculative shares were

actively traded. Nagasakiya, a supermarkat chain, jumped Y100 to Y923 and Dai-Ichi Katei Denki, a retail chain for consumer electronics, gained Y100 In Osaka, the OSE average

rose 248.86 to 23,596.03 in volume of 71.9m shares. Roundup

A volatile BOMBAY alternated before foreign selling took it up 26.82 on the day. Analysts forecast that tha

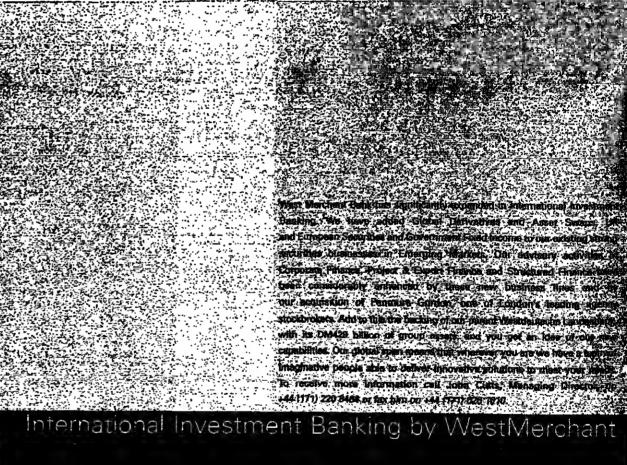
sharp fluctuations until May 31, when the BJP leader, Mr Atal Bihari Vajpayee, must demonstrate that he can muster a majority in parliament. KARACHI ended below 1,700 on concerns about the formation of a Hindu nationalist gov-

market would continue to see

PRs4.50 at PRs56.

ernment in India. The KSE-100 index fell 36.82 or 2 per cent to 1,698.63. Among the main movers, PTCL lost PRs1.70 at PRs37.60 and Dewan Salman HONG KONG consolidated. the Hang Seng index dipping 30.42 to 10,833.41 as turnover shrank in HK\$3.1bn. Analysts

dismissed as posturing the announcement by China and the US of mutual trade sanctions in their continuing squabble over copyright pro-tection issues. They added that imposition of sanctions had been delayed for 30 days. Cheung Kong eased 25 cents



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186.93 186.76 188.96
186.93 186.76 188.96
187.16 188.75 189.96
187.16 187.52 182.30
121.98 185.52 178.84
184.89 184.90 226.41
186.10 188.16 206.47 #igh Low 8
199.28 162.59
199.28 165.11
215.81 168.05
170.25 123.87
164.22 134.14
305.17 272.15
278.11 171.73
198.39 187.70
174.38 149.49
451.19 348.81
279.02 220.31
184.86 137.73
885.09 425.77
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225.22 237.16
85.49 78.26
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485.21 358.97
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2771.41 212.45 204.05 182.33 204.11 181.98 180.68 287.04 186.20 191.84 164.32 417.70 272.51 61.16 156.12 552.74 1240.68 259.10 407.57 357.16 171.94 341.63 229.54 178.43 227.54 225.80 208.75 204.23 184.98 180.98 180.92 207.55 203.05 184.16 180.80 184.22 180.87 186.85 182.76 185.87 18 248.02 242.85 207.68 203.16 290.60 290.21 199.10 185.47 189.07 161.06 294.76 289.02 189.66 185.54 291.65 285.33 186.45 182.42 210.80 208.23 244.16 238.87 186.10 139.09 196.66 113.25 127.01 127.01 195.32 124.87 141.16 153.62 2.17 3.02 2.26 1.14 2.02 2.17 2.47 2.98 2.02 1.90 2.50 -0.1 0.2 0.1 1.9 1.1 -0.1 0.2 -0.3 1.0 0.6